



Daily Report

LAST ISSUE

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LAST ISSUE

East Asia

FBIS-EAS-96-167
Tuesday
27 August 1996

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Daily Report

East Asia

FBIS-EAS-96-167

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ABAC To Seek Better Incentives for Private Business

BK2608122996 Manila PNA in English
0337 GMT 26 Aug 96

[Received via Internet]

[FBIS Transcribed Text] Manila, Aug. 22 (PNA) — The APEC Business Advisory Council (ABAC), will seek better incentives for private business in the set of recommendations it is finalizing for submission to the forthcoming November 25 APEC Leaders' Summit in Subic.

ABAC is the permanent private sector group organized by APEC (Asia-Pacific Economic Cooperation) to advise it on business priorities and the implementation of its Osaka Action Agenda towards trade and investment liberalization in the region.

Chaired by former Philippine Foreign Affairs Secretary Roberto Romulo, who is now with the Philippine Long Distance Telephone Company, ABAC held its second meeting in Hawaii earlier this week.

It hopes to finalize its package of recommendations to APEC during its next meeting scheduled in Hong Kong next month.

The ABAC Secretariat in Singapore did not yet bare the substantive thrust of the group's recommendation package but hinted it will include proposed strategies to "open up businesses in areas such as infrastructure."

A statement released by the Secretariat said ABAC will invoke market rewards "in support of the market-oriented policies, programs or projects we will recommend."

Romulo said the ABAC recommendations would seek to enhance the "dynamics of competitive liberalization" noted in APEC economies that have benefited from voluntary and unilateral liberalization initiatives.

ABAC coordinator Dough Ryan of Singapore said their group is now into formulating strategies that will provide incentives for the business community to get its members' active participation in APEC. "That's the key thing," he stressed.

The Philippine hosts this year's APEC leaders' summit at the Subic Bay Freeport on November 25.

APEC working groups on economic matters are currently meeting in Davao City in Southern Philippines. The series of meetings will be capped by a Senior Officials Meeting (SOM) and Ministerial Meeting which will wind up end of this week.

APEC Rejects U.S. Proposals on Trade Liberalization

BK237051696 Quezon City Radio Filipinas
in English 0230 GMT 23 Aug 96

[FBIS Transcribed Text] Senior Asia-Pacific officials rejected the U.S. proposal for a common stand on information technology (IT) trade liberalization because they wanted more details. Antonio Basilio, deputy chairman of an APEC Senior Officials' Meeting in Davao City, said the U.S. proposal is too general and failed to detail specific product lines and a timeframe for tariff reduction.

Basilio said many developing countries are also worried of lowering tariffs because their domestic information technology industries are still at an early stage.

The U.S. has tried to enlist support from the APEC Forum for its goal of removing all tariffs on information technology trade by year 2000. The issue is due to be discussed at the World Trade Organization ministerial meeting in Singapore in December.

Ten Countries Apply for APEC Membership

BK2608060496 Quezon City Radio Filipinas
in English 0230 GMT 26 Aug 96

[FBIS Transcribed Text] Ten more countries have formally signified their desire to join the Asia-Pacific Economic Cooperation or APEC, regarded as the most dynamic economic grouping worldwide.

Ambassador Antonio Basilio, deputy chairman of the 1996 APEC Senior Officials' Meeting in the Philippines, identified the applicant countries as: India, Macau, Mongolia, Peru, Russia, Pakistan, Panama, Colombia, Sri Lanka and Vietnam. Vietnam is the only ASEAN country which remains an APEC non-member. Other ASEAN countries — Thailand, Singapore, Brunei, Malaysia, Indonesia and the Philippines were among the founding members of APEC.

Basilio said the membership issue will have to be deliberated during the APEC Summit at Subic in November adding that the group has declared a five-year moratorium on new members during its 1993 summit in Seattle in a bid to strengthen first their commitment to attainment of their common objectives.

Basilio said APEC memberships policies would likely undergo a thorough review before the new applications could be acted on.

APEC Economic Committee Creates Task Force on Food*BK2608124196 Manila PNA in English
0338 GMT 26 Aug 96*

[Received via Internet]

[FBIS Transcribed Text] Davao City, Aug. 21 (PNA) — A framework on development cooperation is emerging among the 18 members of the Asia-Pacific Economic Cooperation (APEC) following the creation of the task force on food by the APEC-Economic Committee (EC), a senior APEC official today said.

In a press briefing at the Davao Insular Century Hotel, John Curtis, chair of the APEC '96 EC, said this task force was derived from the APEC economic leaders' initiative in Osaka where they raised the importance of addressing the pressing issues on food, energy, population, and the environment.

"In Osaka, the leaders asked officials, on an urgent basis, to address the long-term inter-relationship between population and rapid economic growth in this region; and its impact on food, energy, and environment particularly the interlinkages of those various very important subject areas," he said.

Curtis said it was an "exciteful long-term matter" for the leaders to raise the issue, noting the various concerns that have been expressed regarding the region's economic growth of two to three percent on the Western side of the Pacific and of three to 10 percent on the other.

He said this tremendous economic growth would have serious consequences on what demands it will make on energy and water, and on the way the energy is converted into food.

"If you do the very simple mathematics, this has very, very (serious) consequences on the demand and supply of food, on the impact on trade," Curtis said. "The products, including fish, have a very good impact on growing more food and what this food could do to the environment."

Curtis said the APEC Economic Committee, co-chaired by Japan and Australia, has met for a series of preliminary meetings on several task forces including those on food, on the impact of trade liberalization, on the economic investment cooperation on APEC, and on the economic outlook for APEC '96.

He said the APEC Committee on Trade and Investments under the chairmanship of Christopher Butler of New Zealand has also met for a series of plenary and preliminary meetings.

Curtis said he and Butler will report today before the senior officials' meeting about what they have achieved so far. The third SOM [senior officials meeting] opened today at the Davao Insular Century Hotel.

The senior officials, after four meetings, will report in October to the APEC ministers, who will in turn relay the comprehensive reports to the APEC economic leaders in November this year.

The APEC groups Australia, Brunei, Canada, Chile, China, Hong Kong, Indonesia, Japan, South Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, the Philippines, Singapore, Chinese Taipei, Thailand, and the United States.

ASEAN Calls for Deferment of EU's System of Preferences*BK2708050496 Manila BUSINESS WORLD
in English 27 Aug 96*

[Report by Ma. Clarissa S. Batino — received via Internet]

[FBIS Transcribed Text] Business groups within the Association of Southeast Asian Nations (ASEAN) asked the European Union (EU) to defer anew the implementation of its new Generalized System of Preferences (GSP) which is already set to take effect in January next year.

The EU has revised its GSP formula which is seen to adversely affect Southeast Asia's agricultural exports, the ASEAN Chamber of Commerce and Industry (CCI) noted in its meeting in Ho Chi Minh City last Friday [23 August].

The group wants EU to consider the possibility of setting up appropriate measures to cushion the impact of the new GSP on the ASEAN products.

EU originally planned to impose the new GSP last 1 July but has agreed to defer it until 1997 to give its beneficiaries time to adjust. But ASEAN businessmen believe they need more time.

The GSP scheme allows imports from developing countries to enter the EU and even the United States markets with low tariffs. The new EU method grouped agricultural goods into four categories from nonsensitive with zero import duty to very sensitive to be taxed at 85%.

This is projected to raise tariffs on ASEAN agricultural exports up to 50%. Philippine trade officials said once the new EU policy takes effect, 51% of the country's "strong exports" will be hit including coconut oil, certain types of pineapple, tobacco and processed fruits.

AICO

ASEAN CCI also urged the region's governments to ratify the ASEAN Industrial Cooperation Scheme (AICO). ASEAN CCI is an umbrella organization of business chambers in the region.

The umbrella organization noted AICO will encourage resource sharing and industrial cooperation among ASEAN members.

AICO paves the way for lower tariffs on raw materials of its participants but there were issues raised by some ASEAN members that have not been resolved yet.

ASEAN CCI also frowned on non-tariff barriers still being erected by some economies. Specifically, it thumbed down the "environmental blackmail" being resorted to by governments as an instrument to hinder trade and investments.

"While the ASEAN CCI supports the formulation of the ISO 14000 to encourage acceptable compliance to environmental practices at the company level, this should not be mandatorily imposed as a precondition to trade or doing business," the group noted.

ISO 14000 is a test a company submits to achieve a clean bill of environmental health. The group, however, reiterated its support for sustainable development.

It condemned illegal transboundary dumping of hazardous wastes and urges ASEAN governments to impose heavy penalties to offenders to encourage the use of ecologically friendly technologies.

To make customs requirements more transparent, the ASEAN CCI also battled for the harmonization of customs valuation by 1997. The Philippines, effective 1 July, abandoned the home consumption value and shifted to export valuation.

ASEAN CCI is chaired by businessman Jose Concepcion. The group will meet again in December.

South Pacific Forum in Quandry Over Ties With France

BK2708065196 Hong Kong AFP in English
0630 GMT 27 Aug 96

[FBIS Transcribed Text] MAJURO, Aug 27 (AFP) — The 16 nation South Pacific Forum is in a bind over how to resume ties with France and it is likely either

Australia or New Zealand will have to bail them out, diplomatic sources said Tuesday.

The group's summit will be held here next week and follows last year's Papua New Guinea summit, which decided to expel France from its post-forum dialogue session. That decision was taken as France conducted nuclear tests at its South Pacific testing site on Mururoa Atoll.

France has since ended nuclear testing.

Two forum members, Kiribati and Nauru, broke diplomatic ties with France over the issue. Kiribati has re-established relations but Nauru has not.

Sources here say a number of countries, including Australia, the Cook Islands, New Zealand and Vanuatu, wanted France back at the dialogue session here. But other countries resisted and, as the group has a policy of making decisions by consensus, the issue was left for the forum itself.

It will, however, be too late for France to send representatives even if it is allowed in.

Senior sources say no country is willing to stand out on the issue. The Melanesian Spearhead Group of countries — Papua New Guinea, Solomons and Vanuatu — decided they would support a consensus. The Small Islands State group — Cooks, Nauru, Niue, Tuvalu and Kiribati — is now meeting in Nauru and has agreed not to take any firm position either.

New Zealand diplomats say Wellington will go along with the forum consensus, but behind the scenes officials confirm they are anxious to get France back on side with the forum.

Australia is understood to favour France's return now.

It is a vexed issue for the forum as, while it traditionally favours a strong anti-nuclear stance, France is now in the position of being one of the few nations in the Pacific increasing its aid. The other big donors are cutting back.

The Marshall Islands forum hosts underscore the position. Last year President Amata Kabua strongly condemned France. This year his outer islands are benefiting from a multi-million dollar French aid program to harness solar energy. At the same time the U.S. has slashed its aid to the Marshalls.

**Second East Asia Women's Forum Opens in Seoul
22 Aug**

SK2208122496 Seoul YONHAP in English

1207 GMT 22 Aug 96

— Semiofficial news agency of the ROK

[FBIS Transcribed Text] Seoul, Aug. 22 (YONHAP) — The 2nd East Asia Women's Forum opened at Tower Hotel in Seoul Thursday evening under the sponsorship of the Korean Women's NGO (non-governmental organization) Committee.

The three-day forum was attended by women's delegates from seven East Asian countries — China, Japan, Taiwan, Mongolia, Hong Kong, Macao and South Korea.

The forum is designed mainly to discuss ways to put into practice the United Nations code of women's conducts adopted at the Beijing Women's Congress of 1995.

Among those on hand at the opening session of the forum were Second Minister of State Kim Yun-tok; Chong Se-hwa, director of the Korean Women's Development Institute; former assemblywoman Yi U-chong; and Yayori Matsui, representative of the Japan Woman Volunteers Center.

**Malaysian Leader Criticizes Negative Foreign
Media Reports**

*BK2408134196 Kuala Lumpur THE STAR in English
24 Aug 96*

[Report by Mergawati Zulfakar — received via Internet]

[FBIS Transcribed Text] Manila — Datuk Sri Anwar Ibrahim yesterday criticised foreign media which published negative reports on Malaysian investors in the South-East Asian region.

Anwar said while Malaysia was not trying to defend local businessmen, the government felt that supervision was necessary.

"Businessmen are businessmen. Sometimes they follow the rules, sometimes they flout them. I told my Filipino counterparts to tell me if they have problems with Malaysian investors

"Unlike many other countries, the advantage in Malaysia is we call up our businessmen and caution or even reprimand them. Governments can trust us and our businessmen because of that," he said during a press conference after his luncheon address at the International Conference on the Centennial of the 1898 Philippine Revolution.

He was replying to a question by a foreign journalist on Malaysian investors coming in strongly in Cambodia and all over the region.

Anwar, who is finance minister, said the media attacked Malaysia when a Malaysian company bought over a logging concession in Papua New Guinea.

"That the company was owned by an Australian firm for decades it was not an issue."

On Cambodia, which an international magazine said was treated as Malaysia's 14th state since Malaysian investors were grabbing investment opportunities, he said the government had held discussions with the country's leaders.

"What I resent is that throughout our history, it was a non-issue when factories were set up in Kuala Lumpur or Penang.

"You try to have a Filipino factory in Africa and you face a problem and immediately it will be splashed by international media," he added.

**Malaysia Questions Interference With Reforms in
Asia**

*BK2308092396 Kuala Lumpur THE STAR in English
23 Aug 96*

[Unattributed report — received via Internet]

[FBIS Transcribed Text] Manila — South-East Asian countries, particularly Myanmar (Burma), should be allowed to bring democratic reforms at their own pace without any pressure from developed countries, Datuk Sri Anwar Ibrahim said.

The Deputy Prime Minister said no superpower should expect these countries to change their systems overnight.

"We must allow these countries to gradually mature within the context of complexities of each country. I notice our region has been moving towards freedom, democracy and openness in the last few years," he told a dialogue at the South-East Asia Beyond 2000 conference here yesterday.

Anwar noted that it took 150 years for the United States after the declaration of independence to introduce legislation against discrimination of the blacks.

"Why is it when it comes to Malaysia, we have to do it in three years. Do I therefore suggest because there is discrimination of 150 years in the US, there should be discrimination in Malaysia for five years (before introducing reforms)?"

"I don't think it is morally correct to condone excesses but it will be difficult to expect a radical change

and departure from accepted norms in a prescribed framework without giving due consideration to the complexities of situations."

Anwar said this was ASEAN's view with regard to China over the debate on the status of the Most Favoured Nation clause.

He said while no country could condone every single action in the Chinese rule, no one dared to suggest that China hold a democratic election in the next five years.

Anwar said in the case of Myanmar which had been under severe criticism by the West over its military

junta rule, ASEAN believed in constructive engagement to restore democracy.

He said Malaysia's understanding of parliamentary democracy meant greater openness of a more conducive environment of intellectual debate or criticism but the Government took adequate measures to ensure stability.

"You can choose to criticise policies — political, economic and social, but I would draw the line if some extremist elements, be it Muslim or Chinese, choose to harp on religious or ethnic hatred against each community. We will take a very firm decision."

Japan**Japan: Insurance Association Head on Insurance Talks With U.S.**

OW2608143596 Tokyo TOKYO SHIMBUN
in Japanese 21 Aug 96 Morning Edition p 7

[Interview with Kenjiro Hata, chairman of the Life Insurance Association of Japan, by Yasuki Hisahara; date and place not given; first paragraph is TOKYO SHIMBUN introduction]

[FBIS Translated Text] It seems likely that subsidiaries, which were established by 17 life and nonlife insurance companies to be prepared for a chance to enter each other's business area, will be licensed by the Finance Ministry before the end of August to start business. However, Japan and the United States, at their insurance talks, are finding hard sailing over whether or not subsidiaries of insurance companies will be allowed immediately to sell third-sector products, including insurance against injuries and accidents. Because of this, there is a high probability that the government may introduce some restrictions, including postponement of issuing licenses for sales of nonlife policies. We interviewed Kenjiro Hata, chairman of the life insurance association of Japan and (president of Meiji Mutual Life Insurance Co.), on possible impacts of Japanese insurance companies' demands and the Japan-U.S. talks.

[Hisahara] It seems that the Japan-U.S. trade talks, which broke up late last month, will resume in September.

[Hata] Originally, the idea of allowing insurance companies to enter each other's field was designed to promote liberalization of the Japanese insurance industry and deregulation. Although it constantly calls for deregulation in all fields of the Japanese economy, the United States is trying to create regulations in the area (of non-life insurance), where deregulation works against it. It is unreasonable. Moreover, only one company, which has strong influential political power, is insisting on the need for regulations. It would be a different story if major U.S. insurance companies were making the demand. Therefore, it is clear that the United States is trying to protect the vested right of a single company (which is doing well in selling insurance against injuries and damages in the Japanese market). Frankly speaking, this is not right.

[Hisahara] It seems that the United States is claiming that drastic deregulation measures are needed for insurance against injuries and damages.

[Hata] Thirty Japanese insurance companies are selling insurance against injuries and damages and there will be no dramatic change even after the six subsidiaries join

the market. The Japanese Government's initial proposal, designed to delay the subsidiaries from making inroads into the insurance market for three or six months, is the limit of our compromise.

[Hisahara] Will a delay longer than that be a fatal wound to the subsidiaries?

[Hata] Frankly speaking, the subsidiaries will go bankrupt if they are barred from selling injury insurance for three or six years as the United States demands. They will have a tough time even if they are allowed to start business operations in October by selling automobile and fire insurance as a temporary measure. The injury insurance is a main source of their revenues. The Japanese Government should maintain a logical stand because there will be no such thing as long-term dramatic deregulation measures even for a case, in which Japanese insurance companies mutually enter each other's turf. (The U.S. side) will be exposed to international criticism if the negotiations break up without compromises.

[Hisahara] Do you think [the Japan-U.S. talks] will have some impact on the Finance Ministry's decision on granting the licenses?

[Hata] I expect that the ministry will give the subsidiaries licenses to sell all insurance policies. I hope that the ministry, if no settlement can be reached by the end of September, will issue a notice, telling us to "wait" before having the subsidiaries sell particular policies. Of course, we will apply for licenses to sell all insurance policies because we prefer to sell all of them.

Japan: 'Third Sector' Insurance Licenses Issued to Domestic Firms

OW2708114996 Tokyo KYODO in English
1115 GMT 27 Aug 96

[FBIS Transcribed Text] Tokyo, Aug. 27 KYODO — The Finance Ministry on Tuesday issued nonlife insurance business licenses to subsidiaries of six life insurers and life insurance licenses to units of 11 nonlife insurers, officials said.

The six life insurance companies include Nippon Life Insurance Co., Dai-ichi Mutual Life Insurance Co. and Sumitomo Life Insurance Co., while Mitsui Marine and Fire Insurance Co., Sumitomo Marine and Fire Insurance Co., and Nichido Fire and Marine Insurance Co. are among the 11 nonlife insurers.

Under the licenses, the 17 subsidiaries will be able to handle products in the so-called "third" sector, or such items as cancer, nursing and accident insurance that are in a gray zone between the primary life and nonlife sectors.

With issuance of the licenses, however, the ministry notified the 17 subsidiaries that it could impose some conditions by Sept. 30 on the subsidiaries' sales of third-sector products.

The step is believed to reflect stalled insurance talks between Japan and the United States.

The two countries failed to settle their insurance dispute by the self-imposed deadline of July 31 due mainly to differences over the handling of third-sector products which are the major earnings source for many foreign insurers in Japan.

Japan is hoping to reopen insurance talks with the U.S. in September to clarify the scope and timing of entrance by subsidiaries of Japanese insurers into the third sector before they start operations Oct. 1, ministry sources said.

The 17 life and nonlife insurance companies established subsidiaries in August under Japan's new insurance law.

The law, which took effect April 1, stipulates that life and nonlife insurance companies can enter each other's turf through subsidiaries.

At the center of the Japan-U.S. insurance dispute is how to interpret the 1994 bilateral insurance accord, under which Japan is to "avoid any radical change" in the third sector before deregulating the primary life and nonlife sectors.

The U.S. has argued that Japan should substantially delay entrance of life and nonlife insurers into the third sector through subsidiaries to avoid a radical change. Japan, however, has been seeking their entrance at an early date.

Kenjiro Hatano, president of Meiji Mutual Life and chairman of the Life Insurance Association of Japan, welcomed the ministry's issuance of licenses to nonlife insurance subsidiaries founded by the six life insurers.

Hatano said, however, he is perplexed by the ministry's notification that some conditions may be imposed on sales of third-sector products.

The Industry will ask the ministry not to impose restrictions on sales of accident insurance products by the nonlife insurance subsidiaries, he said.

An official at one of the subsidiaries said they can sell accident insurance policies under the domestic law from Oct. 1 if Japan and the U.S. fail to settle the insurance dispute by that date.

Some industry sources, however, said they fear the U.S. may stiffen its negotiating stance as the ministry issued licenses before settling the dispute.

Japan: MOFA To Strengthen North American Affairs Bureau

OW2508140796 Tokyo YOMIURI SHIMBUN
in Japanese 23 Aug 96 Morning Edition p 2

[FBIS Translated Text] As of 22 August, the Ministry of Foreign Affairs [MOFA] decided to reinforce its organizational structure to deal with problems related to U.S. military bases on Okinawa, economic issues, and other intensifying, pending issues that exist between Japan and the United States. In order to do that, MOFA plans to appoint an official in charge of the Japan-U.S. Status of Forces Agreement [SOFA] to handle Okinawa's military base problems and set up other new positions and offices within its North American Affairs Bureau. MOFA also intends to include expenses related to this plan in its budget requests for FY1997.

Following an incident in which a young Okinawa girl was raped by three U.S. servicemen last year, the enraged Okinawan public demanded a review of the SOFA. This drew attention to the question of how provisions under the SOFA ought to be applied, including revising the agreement to permit U.S. servicemen suspected of crimes to be turned over to Japanese authorities before they are indicted. Such developments have prompted MOFA to create new positions within its North American Affairs Bureau.

MOFA also plans to set up a new office for promoting Japanese-U.S. cooperation to deal with the problem of environmental destruction and other issues on the common agenda for Japanese-U.S. cooperation that is based on a global standpoint.

Japan: Governor Ota on Meeting With LDP's Kato on U.S. Bases

OW2608005796 Tokyo NIHON KEIZAI SHIMBUN
in Japanese 25 Aug 96 Morning Edition p 1

[FBIS Translated Text] At a news conference after a meeting with Koichi Kato, secretary general of the Liberal Democratic Party, on 24 August, Okinawa Governor Masahide Ota spoke highly of Kato, saying: "No government officials and ruling coalition members have listened more eagerly than Kato to Okinawa's opinions when they visited Okinawa. We can now anticipate a bright future."

Japan: Article Views Results of Ota-Kato Talks on Base Issues

OW2708093596 Tokyo MAINICHI SHIMBUN
in Japanese 25 Aug 96 Morning Edition p 3

[By Shunji Nozawa and Shin Nakayama]

[FBIS Translated Text] Masahide Ota, Okinawa governor, requested the five-point "special deregulatory program for developing industries" at a 24 August meeting with Koichi Kato, Liberal Democratic Party (LDP) secretary general, at the prefectural government building. While expressing great expectations for concrete action for development, the prefectural government shows great caution and resistance to the possibility that the Okinawa bases issue and the development program will be treated as a "carrot and stick." Although relieved by Kato's remark that "those issues should be dealt with separately," Okinawa's concern about bases reduction has not been eliminated due to the stalled relocation plan for Marine Corps Air Station [MCAS] Futenma in line with its complete return.

At the meeting, the prefectural government advanced five proposals, including expansion of the free trade zone by implementing special measures, such as a reduction in corporate tax and introduction of an original tariff system. All actions need central government support, such as deregulation. Therefore, Kato pointed out that the free trade zone issue should be discussed further.

Ota said at the news conference: "If the central government thinks it is undesirable to implement deregulation only for Okinawa, it will be difficult to achieve. It will be good for Japan's future as well if Okinawa is treated as the demonstration area for deregulation." He suggested the Hashimoto administration, which sets deregulation as its main policy, to ease Okinawa-related regulations ahead of other laws.

Although the Ota-Kato meeting was held following a 23 August meeting of six ruling party executives, Kato visited Okinawa in his capacity as LDP Special Research Council chairman on the Okinawa Development Program. Prior to the meeting, senior Okinawa prefectural government officials questioned the appropriateness of "petitioning only the LDP." Ota warned not to hold easy expectations for realizing the plan, saying: "Progress will not be made until the three ruling parties reach agreement based on discussion. We cannot expect immediate progress."

"It is not good to handle the development program together with the issue of posting public notices on forced lease of land for U.S. forces by proxy." As expressed by Okinawa Vice Governor Masanori Yoshimoto, some

prefectural government officials were critical of correlating the development program with the base issue.

At the talks, Kato showed his consideration on this matter, saying: "We would like to separately handle realignment and retrenchment of bases, expropriation of bases (land) for U.S. forces, and the economic development program." While saying that "these issues are closely related to one another," Ota welcomed Kato's remark, saying: "I am very glad to hear him say they are separate issues."

As Ota mentioned, return of MCAS Futenma is "closely related" to relocating the heliport. Although Japan has sounded the United States about building a new heliport on Kadena Air Base [KAB], the U.S. Government has remained negative out of concern for technical difficulties. Meanwhile, as shown in actions taken by municipalities housing KAB, there is growing opposition to relocation."

At a 22 August meeting on the Okinawa-proposed development program, Yoshimoto told senior prefectural government officials: "We cannot conjecture when Futenma Air Station will be returned. It seems that discussion on this has matter come to a standstill at the Pentagon level." At the meeting with Kato, Ota said: "I am told that Hawaii and Guam are willing to accept some base functions. I would like the central government to consider such an option (on relocation)." The prefectural government has drawn up the program on condition that MCAS Futenma is returned. Senior prefectural government officials have expressed their growing concern over the possibility that stalled construction plans for the heliport would ruin the complete return of Futenma Air Station.

"Prime Minister Hashimoto has concentrated 60-70 percent of his energy on Okinawa-related issues." LDP Secretary General Kato visited Ota at the prefectural government on 24 August, and apologized for the central government failing to fulfill its pledge to make utmost efforts to resolve U.S. base-related issues. He then stressed that Hashimoto and other government and ruling party officials seriously tackle the matter this time. His remarks illuminated his desperate wish to have Ota undertake procedures for public notices on the central government's behalf by expressing their honesty. Thus, he has sought to avert the situation in which the ruling coalition's unity will collapse due to legislation of a special law.

At the beginning of the meeting, Kato said: "I would like you to tell me what the real problems are." He kept "listening" to the prefectural government's demands in a low profile throughout the meeting. Some central government and ruling party officials expect that they

can soften Ota's attitude by presenting the economic development program. However, Kato, who seems to be wary of offending the governor and local people, declared that: "The development program should be treated separately from the issue of Okinawa's burden inflicted by bases."

Prior to the meeting with Ota, Kato met with representatives of local economic organizations at a Naha hotel and listened to their views. While strongly supporting the Okinawa prefectural government's plan to expand and strengthen the free trade zone, participants requested that: "Consideration be given to adverse effects of deregulation as well." Such a view illuminated the current complicated situation.

Japan: Governor Ota Seeks Shifting Military Bases to U.S.

OW2708054896 Naha OKINAWA TIMES in Japanese 26 Aug 96 Evening Edition p 1

[FBIS Translated Text] During an informal meeting with reporters on the morning of 26 August, Okinawa Governor Masahide Ota commented on the planned 28 August Supreme Court ruling on a central government suit that seeks to have the governor sign the papers needed for the forced use of land by the U.S. military. He said: "I want the Court to judge the issue appropriately from judicial viewpoints. The degree of the maturity of Japan's democracy will be known through this Court decision."

Replying the question on whether he will use the results of the 8 September prefectural referendum to decide whether or not he should comply with the government's request for putting on public display papers required for expropriating land plots, he said: "Although the referendum and the issue of expropriating land are not directly connected, they have some bearing on one another. I would like to discuss the matter with my supporters and make a decision from an overall perspective." In this way, he avoided giving a definite answer.

The central government has had difficulties persuading the municipalities in mainland Japan — where live-fire drills across Prefectural Highway 104 in Okinawa are to be relocated — to accept the relocation plan. On this, Ota said: "Some cities in the United States, where the consolidation and reduction of military bases have occurred, have expressed the strong hope (for accepting military bases). One possible way to reduce U.S. bases on Okinawa is to relocate them not only to the Japanese mainland but also to the United States." In this way, he proposed that the government consider shifting U.S. military installations to the United States

when promoting the reduction of U.S. bases in the prefecture.

Japan: LDP's Kato Denies Bases Issue Leading to House Dissolution

OW2608140596 Tokyo N. ON KEIZAI SHIMBUN in Japanese 25 Aug 96 Morning Edition p 2

[FBIS Translated Text] At a 24 August news conference held at the Okinawa prefectural office after a meeting with Okinawa Governor Masahide Ota, Koichi Kato, secretary general of the Liberal Democratic Party, denied the possibility of the issue of forced use of land for the U.S. military leading to the dissolution of the House of Representatives for a general election. He said: "The Okinawa issue should not be used as a pawn in a political dispute or to judge the timing of the house dissolution. There is no such possibility." Concerning the planned prefectural referendum regarding the realignment, consolidation, and reduction of the U.S. bases and the review of the Japan-U.S. Status of Forces Agreement, he said: "Although the outcome of the referendum is not legally binding, politically speaking it should be regarded as the expression of Okinawa residents' views." In this way, Kato stressed that the government would work to solve the U.S. bases-related problems while taking into account the results of the prefectural referendum.

Japan: Panel Members To Visit Okinawa Over U.S. Bases Problems

OW2708040396 Tokyo KYODO in English 1134 GMT 26 Aug 96

[FBIS Transcribed Text] Tokyo, Aug. 26 KYODO — Members of a new government panel will visit all 24 municipalities with U.S. military facilities in Okinawa prefecture next month to listen to complaints and requests over local U.S. bases, the head of the panel said Monday.

The 11-member advisory body to Chief Cabinet Secretary Seiroku Kajiyama will go to the municipalities in two groups, said panel leader Haruo Shimada, a professor of economics at Keio University.

During its first session Monday evening at the Prime Minister's Official Residence, the team decided that it will discuss two themes — how to assist municipalities that are home to U.S. bases, and how to better relations between local communities and the American military, Shimada said at a press conference after the meeting.

Some panel members told the session that the government's financial assistance has failed to sufficiently promote the local economy, he said.

When Kajiyama last week announced the launch of the panel of experts both from Okinawa and other parts of Japan, he voiced hope that it will submit recommendations within six months, but Shimada said the team will relate its discussions in parts to the chief cabinet secretary.

The southernmost prefecture of Okinawa, which consists of less than 1 percent of Japan's total land area, is home to 75 percent of the land in Japan reserved for U.S. military use.

Japan: Kato Notes Need To Improve SOFA Operation on Car Accidents

OW2608135096 Tokyo YOMIURI SHIMBUN in Japanese 24 Aug 96 Morning Edition p 2

[FBIS Translated Text] On 23 August, Koichi Kato, secretary general of the coalition-leading Liberal Democratic Party, revealed an intention to take prompt measures to deal with the issue concerning lack of adequate compensation for fatal traffic accidents involving U.S. servicemen stationed in Okinawa. Kato said: "Although I do not want to imply a revision of the Japan-U.S. Status of Forces Agreement, it may be possible to improve operational procedures. Something must be done with the issue." Kato made the remarks during a meeting of secretaries general and other members of the three ruling parties.

In Okinawa Prefecture, there have been more than a few traffic accidents resulting in injury or death by U.S. military servicemen driving a car possessing no voluntary automobile insurance. In those cases, victims of car accidents receive slight compensation and it often takes time to get compensation.

Japan: Foreign Minister Comments on Failed Adoption of CTBT

OW2608095796 (Internet) Japanese Ministry of Foreign Affairs WWW in English 21 Aug 96

[From the "What's New" Link]

[FBIS Transcribed Text] Statement by the Foreign Minister on the Comprehensive Test Ban Treaty (CTBT)

21 August 1996

1. It is extremely regrettable that a Comprehensive Test Ban Treaty (CTBT), which is expected to be a milestone in the area of nuclear disarmament toward a world free of nuclear weapons, has not been adopted at the Conference on Disarmament in Geneva, because of the opposition of a few countries, mainly India.

2. In view of the importance of the CTBT to future nuclear disarmament and of the strong expectation of the international community for it, the Government of Japan considers that this disagreement must not be allowed to spoil the possibility of concluding the Treaty. It is necessary for the countries concerned to immediately study due measures to avert this. From this point of view, the Government of Japan intends to do its utmost in concert with those countries which hope to bring the CTBT into existence.

3. At the same time, we would like to urge once again a few countries, mainly India, to reconsider their positions as soon as possible from a broader perspective of nuclear disarmament.

Japan: Hashimoto, Cardoso Agree To 'Step in Cadence' on UN Reform

OW2708014196 Tokyo KYODO in English 0023 GMT 27 Aug 96

[FBIS Transcribed Text] Brazilia, Aug. 26 KYODO — Japanese Prime Minister Ryutaro Hashimoto and Brazilian President Fernando Henrique Cardoso on Monday agreed to step in cadence with each other to promote the reform of the United Nations (UN), Japanese Government officials said.

In his meeting with Hashimoto, Cardoso expressed his hope that both Brazil and Japan will become permanent members of the UN Security Council, the government officials said.

Hashimoto and Cardoso agreed Brazil will support Japan's bid for nonpermanent Security Council membership at an election in the fall and that Japan will back Brazil's similar move next year, the officials said.

The two leaders also discussed Brazil's new auto import policy, whereby foreign automakers without factories in Brazil are subject to high import tariffs, the officials said.

Japan is criticizing Brazil's revision of its tariff and quota system for auto imports, which took place one week ago, saying it is incompatible with the norms set by the World Trade Organization.

But the officials said Hashimoto welcomed the Brazilian president's order halving the tariff rate from 70 percent to 35 percent for annual auto imports not exceeding 50,000 units.

Cardoso told Hashimoto that Brazil is planning to reconsider on a step-by-step basis the new auto import policy, including the import quota and tax system, the officials, who travel with the Japanese prime minister, said.

Hashimoto and Cardoso agreed to hold the first working-level talks in October between Japan and members of the "mercosur" free trade bloc — Brazil, Argentina, Uruguay and Paraguay, they said.

Among other issues on which the two leaders agreed were the promotion of Japan's funding of Brazilian aid to developing countries and a strengthening of Tokyo's support for agricultural development projects in Brazil, the officials said.

Meanwhile, Hashimoto notified Cardoso of a plan by Emperor Akihito and Empress Michiko to visit Brazil next May or June, the officials said, adding that Hashimoto also said the imperial couple is considering an official trip to Argentina.

At a luncheon held after their meeting, Cardoso hailed the imperial couple's visit to Brazil, saying the visit will be the best way to mark the beginning of the new bilateral relationship.

Japan: Israeli Foreign Minister Reportedly Tells Ikeda About Talks

OW2608130996 Tokyo KYODO in English
1255 GMT 26 Aug 96

[FBIS Transcribed Text] Jerusalem, Aug. 26 KYODO — Israeli Foreign Minister David Levy expects a meeting between Prime Minister Benjamin Netanyahu and Palestinian leader Yasir 'Arafat to take place after talks of their respective defense and finance ministers, Japanese officials said Monday.

Levy made the comment during a meeting with Japanese Foreign Minister Yukihiko Ikeda, said the officials traveling with Ikeda.

Japan: Further on Israeli Foreign Minister's Talks With Ikeda

OW2608141296 Tokyo KYODO in English
1357 GMT 26 Aug 96

[FBIS Transcribed Text] Jerusalem, Aug. 26 KYODO — Israeli Foreign Minister David Levy on Monday signaled his country's willingness to see a meeting held between Prime Minister Benjamin Netanyahu and Palestinian Leader Yasir 'Arafat, Japanese officials said.

The officials said Levy told Japanese Foreign Minister Yukihiko Ikeda during a two-hour meeting in Jerusalem that such a meeting should take place after preparatory talks between meetings of their respective defense and finance ministers.

Netanyahu has so far refused to meet with 'Arafat, but Levy told Ikeda that the Israeli government will abide by

the commitments made by the previous administration of Prime Minister Shimon Peres.

Levy indicated there is scope for negotiating over the permanent status of Palestine, and also expressed interest in lifting economic sanctions against Palestinian areas while keeping a check on terrorism, the officials said.

They said Levy also claimed that Israel considers that neighboring Syria is supporting terrorism and wants it to take "responsible" action.

In response, Ikeda, whose Middle East tour has also taken him to Egypt and Syria, said Arab countries are looking to Israel for "concrete" action.

The officials said Ikeda urged a withdrawal of Israeli military forces from occupied Hebron, a city in western Jordan, and a continuation of the peace process.

Ikeda was scheduled to meet Netanyahu following his meeting with Levy.

Japan: Kan Expresses Condolences Over Koreans of 1945 Explosion

OW2408062896 Tokyo KYODO in English
0621 GMT 24 Aug 96

[FBIS Transcribed Text] Kyoto, Aug. 24 KYODO — Health and Welfare Minister Naoto Kan offered deep condolences Saturday over the death of more than 500 Koreans who died in the sinking of a repatriation ship as a result of a mysterious explosion shortly after World War II.

Kan's message of condolence was read in a memorial service held in front of a cenotaph dedicated to the victims in the port city of Maizuru on the Sea of Japan coast.

This was the first time for the Japanese Government to express condolences over the death of 550 people who were on board the Ukishima Maru which was rocked by an explosion of mysterious origin. The ship sank Aug. 24, 1945, nine days after Japan's surrender in the war.

The Ukishima Maru was en route to the South Korean port of Pusan from Ominato, Aomori Prefecture, northern Japan, with about 525 Koreans who had been brought to Japan to engage in forced labor. Twenty-five Japanese aboard the vessel also died.

Bereaved families and relatives of the Korean victims filed lawsuits with the Kyoto District Court, seeking damages from the Japanese Government.

About 150 local residents and representatives of Korean organizations in Japan attended the service.

Japan: Delegation From Niigata Prefecture Leaves for DPRK

OW2508032296 Tokyo KYODO in English
0311 GMT 25 Aug 96

[FBIS Transcribed Text] Niigata, Japan, Aug. 25 KYODO — A delegation of mayors and town and village chiefs from seven municipalities in Niigata Prefecture on the Sea of Japan left for North Korea on Sunday to scout trading opportunities.

The 20-member delegation, led by Niigata Mayor Yoshiaki Hasegawa, sailed from Niigata aboard the North Korean cargo and passenger vessel Mangyonbon No. 29.

The mission is one of a series of annual fact-finding tours organized by a local association promoting trade and exchange with countries bordering the Sea of Japan.

Delegation members said they hope to meet with officials from the cities of Pyongyang and Wonsan as well as the country's committee for the promotion of external economic cooperation and other organizations to discuss economic and cultural exchange.

They also plan to inspect the Najin-Sonbong free trade zone near North Korea's northeastern border with China and Russia. They will stay in North Korea until Friday.

The delegation will return to Japan next Sunday via the Russian far east port city of Vladivostok.

Japan: Tsukahara Leaves for Australia To Attend APEC Meeting

OW2608135496 Tokyo KYODO in English
1350 GMT 26 Aug 96

[FBIS Transcribed Text] Tokyo, Aug. 26 KYODO — International Trade and Industry Minister Shumpei Tsukahara departed Monday night for Sydney to attend a meeting of energy ministers from members of the Asia-Pacific Economic Cooperation (APEC) forum.

Tsukahara will attend a dinner party of the ministers Tuesday [27 August] evening prior to the APEC meeting, which is scheduled to be held Wednesday and Thursday. He will return home Friday evening.

Japan: EPA Chief Takes 'Cautious' Stance on Supplementary Budget

OW2708054796 Tokyo KYODO in English
0459 GMT 27 Aug 96

[FBIS Transcribed Text] Tokyo, Aug. 27 KYODO — The chief of the Economic Planning Agency (EPA) took a cautious stance Tuesday on any possible use of a supplementary budget for the current fiscal year as a way of beefing up the national economy.

Speaking at a regular press conference after the day's cabinet meeting, EPA Director General Shusei Tanaka said, "we should not think of taking fiscal measures too lightly."

Tanaka also said he was concerned about the economy in the next fiscal year that starts next April, when the current consumption tax of 3 percent is raised to 5 percent, adding that further deregulation is necessary for the short term.

At a separate news conference the same day, Finance Minister Wataru Kubo said the government needs to decide shortly on whether to put together a supplementary budget to shore up the nation's economic recovery.

Asked about a possible rise in the official discount rate, the EPA's Tanaka said it would be decided after the release Wednesday of the Bank of Japan's "Tankan," or quarterly survey of business confidence, and the figures of the April-June gross domestic product, expected to be reported in mid-September.

Japan: Finance Minister on Need To Issue Deficit-Financing Bonds

OW2708042696 Tokyo KYODO in English
0411 GMT 27 Aug 96

[FBIS Transcribed Text] Tokyo, Aug. 27 KYODO — Finance Minister Wataru Kubo said Tuesday the government will not be able to avoid issuing deficit-financing bonds in fiscal 1997 to bridge the wide gap expected between budgetary expenditures and revenues.

The government has decided to make fiscal 1997 the first year of fiscal reconstruction, but this does not mean it will immediately lose its heavy dependence on issuing bonds as fiscal resources, Kubo said at a news conference.

However, he said, it is important for the government to limit the issuance of deficit-financing bonds to minimum levels and set a medium-term target for reducing its dependence on issuing such bonds.

According to the Finance Ministry, fiscal 1997 tax revenues are currently forecast to fall about 20 trillion yen short of expenditures for the year that starts next April.

Kubo also told the press conference that it is necessary for the government to decide shortly on whether to compile a supplementary budget to support Japan's economic recovery.

If such a budget is to be submitted to an extraordinary diet session to be convened this fall, the Finance Ministry has to start compilation work in early September, he said.

While noting that the ministry currently has no plan to compile a supplementary budget, Kubo said the government will make a final decision on the issue by considering the economic situation and the progress of public works projects in the first half of fiscal 1996.

Kubo also said the consumption tax rate should be raised next April as planned. There should be no objection from the ruling coalition parties to the rate hike plan the government formally adopted, he said.

With general elections looming on the horizon, there are calls among some ruling coalition parties for freezing the tax hike plan for the time being.

Japan: Nakabo Outlines Plans To Recover 'Jusen' Bad Loans

OW2608112396 Tokyo KYODO in English
1107 GMT 26 Aug 96

[FBIS Transcribed Text] Tokyo, Aug. 26 KYODO — The head of Housing Loan Administration Corp. said Monday the government-run body would go all out to recover the entire 13 trillion yen of bad loans left by seven failed 'jusen' housing loan companies.

Kohei Nakabo, lawyer and former head of the Japan Federation of Bar Associations, expressed the determination at his first news conference.

The corporation, formed in line with the government's jusen resolution program passed by the Diet, will start operations Oct. 1.

Nakabo said the corporation will have seven divisions to take care of bad loans left by each of the seven mortgage companies. Lawyers will be assigned to each of the divisions to help carry out investigations on management responsibility for the fiasco.

It will be difficult for former employees of the failed mortgage companies who will be transferred to the corporation to spearhead the drive against their former superiors, he said.

The corporation is scheduled to take over all assets of the jusen companies, including bad loans, later this month.

Nakabo said however that his corporation will not take over liabilities held by 71 subsidiaries of the jusen companies. The finance ministry has been informed of that stance, he said.

Nakabo said the real estate market slump has increased the corporation's latent loss by about 300 billion yen. Real estate has been put up as collateral for loans held by the jusen companies.

Japan: DA To Set Up New Bureau for Effective SDF Operations

OW2608133496 Tokyo YOMIURI SHIMBUN
in Japanese 24 Aug 96 Evening Edition p 1

[FBIS Translated Text] On 24 August, the Defense Agency [DA] decided to open up a "bureau of operations and training" [BOT] next fiscal year in an attempt to enhance operations of the Self-Defense Forces [SDF]. This is a decision made in line with the fact that Japan is required to review the "guideline" for Japan-U.S defense cooperation and to operate the SDF units effectively in dealing with UN Peacekeeping Operations (PKO), major disasters, and other matters.

Following the decision, the DA will rewrite the DA organizational act based on the DA foundation act.

This will be the first major reshuffle of DA departments and bureaus since the "Bureau of Education and Training" and the "Bureau of Personnel" were formed.

The BOT will be formed by merging a defense operations division, which was under jurisdiction of the "Bureau of Defense Policies," with a training division of the Bureau of Education and Training. In addition to "first operations division," which will handle matters regarding legal systems, and "second operations division," which will be in charge of actual troop operations, the BOT will have a "training division" and a "training and communications division." It will be a bureau composed of four divisions. Another objective in forming the new bureau is to decentralize DA services, which so far have been concentrated excessively on the Bureau of Defense Policies.

Moreover, the Bureau of Personnel will also be reorganized into a "bureau of personnel and education," which will be in charge of SDF personnel matters; education of SDF personnel; and the SDF's medical system. The "Ship Division" and "Weapons and Materials Division" of the Logistics Bureau will be merged into a "ship armament division." Because of this, there will be no change to the DA's system of "one secretariat and five bureaus."

Japan: Sakigake Chief Takemura Seeks Ways To Avoid Party Split

OW2708034796 Tokyo KYODO in English
0309 GMT 27 Aug 96

[FBIS Transcribed Text] Tokyo, Aug. 27 KYODO — New Party Sakigake Chief Masayoshi Takemura will seek ways to avoid a split over policies in forming a new party in his meeting with Sakigake Chief Secretary Yukio Hatoyama, to be held Tuesday evening, Sakigake sources said.

But the meeting may fail to prevent New Party Sakigake, the smallest bloc in the ruling coalition, from breaking up as Hatoyama wants to keep the party's president out of the new party due to their differing views on how the party should be formed, they said.

Hatoyama told reporters Tuesday morning, "we could separate without coming to an agreement." If his meeting with Takemura fails, he hinted he will quit Sakigake.

Hatoyama already expressed his intention to resign as Sakigake chief secretary in a telephone call to Koichi Kato, secretary general of the Liberal Democratic Party.

Yukio Hatoyama and several other legislators are planning to form the new party, calling for a transformation of Japanese society from one led by bureaucracy to one led by citizens. The new party is likely to be initially established with about 10 members.

Roughly five legislators of Sakigake, including Susumu Yanase, Koichiro Genba and Ko Tanaka, are expected to join the new party, and Kunio Hatoyama, the younger brother of Sakigake's chief secretary who belongs to the opposition party Shinshintō (New Frontier Party), and Hirotaka Akamatsu of the Social Democratic Party may also follow suit.

Hajime Funada, a pro-reform legislator of Shinshintō, on Tuesday morning reiterated his prudent stance toward joining the new party due to the policy split.

Though the size of the new party will likely be smaller than the originally anticipated group of about 20, Yukio Hatoyama said, "it will be ok."

"I cannot anticipate that a large number of legislators will join the party from the beginning because individuals have to make their own decisions on the party to suit the public's expectations."

Japan: Senior Sakigake Official Tenders Resignation 27 Aug

OW2708035896 Hong Kong AFP in English
0251 GMT 27 Aug 96

[FBIS Transcribed Text] Tokyo, Aug 27 (AFP) — New Party Sakigake Secretary-General Yukio Hatoyama decided Tuesday to quit the ruling Japanese party ahead of the establishment of a new broader-based alliance, a party spokesman said.

The spokesman said Hatoyama conveyed his decision to Hiroyuki Sonoda, a senior official in Sakigake, a small centrist party led by former Finance Minister Masayoshi Takemura.

Hatoyama, who was scheduled to meet with Takemura late Tuesday afternoon, has recently been distancing himself from the Sakigake leader and on Sunday said

he did not want him to be among the founding members of the new party.

In remarks to reporters Tuesday morning, Hatoyama indicated that a breakthrough was unlikely in his talks with Takemura, who has been pushing for all of the 27 lawmakers from Sakigake to join the new party en masse.

"There is a possibility that these talks will not produce any compromise. In that case, I will have to make a decision myself," he said.

Takemura is perceived to have a negative public image stemming from his 18-month stint as finance minister which included a controversial plan to use billions of dollars in public funds to liquidate failed housing loan companies. Hatoyama, 49, has been trying to establish the new party as a third force in Japanese politics after the conservative Liberal Democratic Party (LDP), the biggest party in the coalition, and the opposition New Frontier Party. Prospective members include various lawmakers from Sakigake and the New Frontier Party as well as independents and members of the left-wing Social Democratic Party (SDP), the second-biggest party in the ruling coalition. On Monday, Hatoyama caused a stir in LDP circles by saying his new party might consider a no-confidence motion against the cabinet of Prime Minister Ryutaro Hashimoto.

Such a move could affect Hashimoto's strategy for dissolving parliament for the next elections, which must be held before mid-1997.

The new party to be set up by Hatoyama is widely expected to trigger a second round of political realignment, which started in 1993 when the LDP suffered a major split and lost power for the first time in 38 years. The subsequent coalition government collapsed in 1994 when the SDP and Sakigake switched sides to form a new coalition with the LDP.

Japan: Sakigake Source Says Hatoyama Likely To Quit, Form New Party

OW2708110996 Tokyo KYODO in English
0921 GMT 27 Aug 96

[FBIS Transcribed Text] Tokyo, Aug. 27 KYODO — New Party Sakigake Chief Masayoshi Takemura is unlikely to be able to dissuade Yukio Hatoyama from breaking up the party in a one-on-one meeting to be held Tuesday evening, Sakigake sources said.

Hatoyama will quit Sakigake, the smallest bloc in the ruling coalition, after the showdown with Takemura, and will openly start to form a new party, the sources said.

Hatoyama has said he does not want Takemura to be a member of the party he intends to form, a statement which angered Takemura, who led a group of rebels within the Liberal Democratic Party (LDP) and others to form Sakigake three years ago.

He said Takemura alone is to blame for Sakigake's negative image and that the two other key figures promoting the new party, his younger brother Kunio Hatoyama and Hajime Funada of the main opposition party Shinshinto (New Frontier Party), believe the new party will have more voter appeal without Takemura.

Yukio Hatoyama submitted his resignation as Sakigake Chief Secretary Tuesday morning.

Kunio Hatoyama announced Monday that he will quit Shinshinto to join the new party if his brother leaves Sakigake.

A draft platform for the new party calls for a transformation of Japanese society from one led by the bureaucracy to one led by citizens.

The sources said the new party is likely to be established with at least 10 members initially.

About five legislators from Sakigake, including Susumu Yanase, Koichiro Genba and Ko Tanaka, are expected to join the new party, and Hirotaka Akamatsu of the Social Democratic Party (SDP) may also follow suit, the sources said.

SDP Secretary General Kanju Sato predicted Tuesday that less than five members of both the SDP and Sakigake will leave the parties to join the new party.

Banri Kaieda, who leads the small Citizens Action League Party, told a press conference Tuesday that all five members of his party will join the new party to be launched by Hatoyama.

Kaieda said he will ask Health and Welfare Minister Naoto Kan to follow suit.

Though the size of the new party is likely be smaller than the originally anticipated group of about 20, Yukio Hatoyama said, "It will be alright."

"I cannot anticipate that a large number of legislators will join the party at the start because individuals have to make their own decisions in accordance with the public's expectations."

Japan: Shigeru Ito on Ministry of Finance Reform
962A0089A Tokyo KINYU ZAISEI JIJU in Japanese
24 Jun 96 p 20

[Interview with Shigeru Ito, Social Democratic Party Diet Member, Chairman of Ruling Coalition's Ministry of Finance Reform Project Team; place and date not

given: "Building an Agency To Act as a Fair Umpire"; Submitting Legislative Measures for Ministry of Finance Reform, Revision of Bank of Japan Law for Next Regular Session of the Diet]

[FBIS Translated Text] *The ruling coalition's Ministry of Finance Reform Project team completed its report, "Toward Structuring a New Financial Administration and New Financial Policies," on 13 June. The report makes explicit reference to undertaking reform of the Ministry of Finance (MOF) under political leadership and submitting legislative measures at the next regular session of the Diet to amend the Bank of Japan Law and law establishing the MOF. Chairman Shigeru Ito (Social Democratic Party) responds to questions about the future direction of financial system reform.*

Eliminating the Convoy System

[KINYU ZAISEI JIJU] Your assessment of the project team's recent report?

[Ito] We were given two problems to tackle. The first was to come up with recommendations for financial administration reform, and the second—to put together arguments concerning MOF's reform in areas other than financial administration.

This time around we indicated the preliminary direction to take in regard to the first of these two. The job of making concrete proposals still remains. But our goal has been firmly set. Reform bills are to be submitted to the next regular session of the Diet, which means we only have six months left to finish our work. During this time, recommendations for amending the Bank of Japan Law and the law establishing the Ministry of Finance and related statutes must be put together. We will be undertaking the first revision of the financial administration system in over a decade, squeezing this work into just six short months.

With the Daiwa Bank affair overseas and the jusen problem at home, there has been a loss of confidence in Japan's financial system both here and abroad. The Japanese Government has to show its citizens in a visible way that it has duly reflected on the factors that gave rise to the bubble economy and jusen problem.

[KINYU ZAISEI JIJU] Please elaborate on the contents of the report.

[Ito] There are six main points. The first is the elimination of the convoy fleet system of administrative guidance. The second is the idea of responsibility and self-regulation in the financial world. We want businesses to undertake thorough disclosures and show a fundamental change in their attitude as players. In their actions, we want them to consider their responsibility to society

and the individual rather than relying on the Ministry of Finance for direction. The third is the establishment of a rigorous inspection system. The fourth is revision of the Bank of Japan Law and the fifth—inquiry into affiliated financial institutions and nonbanks to determine what changes are needed.

Reform of the financial system has been the subject of debate for a long time, but action has been too slow in coming, and now a political decision is being called for.

The financial world is facing a period of transition and change. With the emergence of new products like derivatives, losses that once might have taken six months or a year to incur can arise overnight. The importance of inspection and supervision cannot be overemphasized. Of pressing importance too is the need to create clear, well-defined rules. Along with APEC [Asia Pacific Economic Cooperation], the world of finances will become increasingly important in East Asia. A major theme will be determining a role in the region's economic development for Japan's technologically sophisticated financial sector. We should keep these facts in mind as we move forward with reform.

Greater Responsibility Will Accompany Greater Autonomy for BOJ [Bank of Japan]

[KINYU ZAISEI JUO] What does it mean to give the Bank of Japan greater autonomy?

[Ito] More autonomy does not mean less responsibility. The Bank of Japan has been likened to a group of "court nobles." More autonomy means having BOJ take a more active role. The flip side of independence is responsibility. We must make clear its responsibility for policy decisions.

Specifically, it means eliminating the Ministry of Finance's authority to dismiss central bank officials. The Bank of Japan Law was enacted during the war, but the MOF's supervisory authority has not been exercised. In actual fact, a relationship has been established that puts it on the same level as the other Group of Seven nations. Taking this into account, we felt that at this important juncture there should be an overall revision of the Bank of Japan Law.

However, it makes little sense to say merely that it will legally be on a par with the other G-7 nations. We must also take into account the international financial situation and have laws that give positive expression to the role that the future will demand of the central bank. We will take active steps to determine the kind of policies, given an international and Asian perspective, that the central bank will be able to initiate. We would like BOJ's officials to take an active role.

Also considered are activity reports by the central bank to make clear its responsibilities to the broader community. There is a German-style reporting system and a U.S. one. Probably the latter is the more desirable.

A banking committee in the Diet made up of people with special expertise and experience will be created. Reports will be made to this committee by the Federal Reserve Board chairman twice a year. In other words, the Diet will act as a window, channeling information from the central bank to the nation.

In looking at the Diet, we see that the Ministry of Finance Committee and Financial Subcommittee rarely met. In order to make it possible to conduct knowledgeable debate in the Diet, we will have to consider various reforms in the Diet as well.

[KINYU ZAISEI JUO] There are times, are there not, when fiscal or monetary policies aimed at the national economy as a whole conflict with the social interests of Diet members?

[Ito] In hindsight we can reflect on what brought about the bubble economy and excess liquidity. At the time, a tight monetary policy was needed, but politicians were demanding the opposite.

That sort of thing must not be repeated. And to that end, BOJ's authority must be strengthened so it does not give in to pressure. Reform based on a critical reflection of past events is needed.

The social aspect of monetary policies, for example, must be considered. We must not forget the impact of currently low interest rates on those living on pensions. Measures that take both sides into account are needed.

[KINYU ZAISEI JUO] Specifically, what does it mean to abandon the convoy fleet system?

It means giving up protectionist government administration. Financial institutions that are not competitive will necessarily be weeded out. When financial institutions fail, losses are incurred by their depositors. Disclosure will be necessary so that depositors, too, will understand when a financial institution is on shaky grounds. Doing away with the convoy fleet system will force a change in the attitudes of both financial institutions and depositors.

On the other hand, we can expect staff cuts in MOF's Banking and Security bureaus and probably fewer instances of *amakudari*, ministry officials taking posts in the business world after retirement.

We must create an agency that functions as a fair umpire, acting with a firm and steady hand. Emotional criticism alone cannot effect real reform.

New Plan Required for Disposition of Bankruptcies

[KINYU ZAISEI JUO] How about the handling of failed financial institutions?

[Ito] We can start with the three financial bills. In the next five years, we will have to proceed from there while continuing our debate.

Some nonbanks have a huge amount of nonperforming assets. A comprehensive land policy is needed to handle the nonperforming assets problem as a whole. In the case of the United States and the Resolution Trust Corporation [RTC], an attempt is being made to raise the value-added of property by using the land to build homes for low-income residents. For second stage usen losses, we must implement the legislation while continuing the debate on whether the bills alone are sufficient. We must also move quickly to set up the deposit insurance agency that is to employ some 1,000 workers.

It is the government's role to ensure the protection of depositors and the stability of the financial system. It is uncertain whether or not the three bills will adequately address the first of these. We will probably have to proceed with the determination to do some replanning with regard to early corrective measures and the establishment of a fund for the disposition of bankrupt institutions.

[KINYU ZAISEI JUO] What about the reform of affiliated financial institutions?

[Ito] It is moving forward, with the Ministry of Fisheries and Agriculture taking a central role. We have to consider what kind of rules and controls are needed once we have a picture of the financial system as a whole. In the past, because of jurisdictional disputes, there has been a lack of coordination between the MOF and other government agencies.

Also, when we consider the development of regional economies and citizen participation, it seems reasonable that local governments should be the ones looking into regional financial institutions and what would be best for them. However, in reality, there are questions about the adequacy of the supervision and inspection provided by local agriculture agencies.

We must consider reform on many fronts with the agricultural cooperatives—we have the Ministry of Fisheries and Agriculture; with postal savings, the Ministry of Posts and Telecommunications; and with fiscal expenditures and public investments, the flip side of postal savings, the Ministry of Finance. We must also create a place where the various ministries and agencies can get together and confer with each other directly.

Advisory Group Under the Prime Minister To Consider Amending Bank of Japan Law

[KINYU ZAISEI JUO] It seems "reinforcements" were brought out even at the final stages of the report.

[Ito] We completed the report with four additional points. The first was making political leadership clear. The second was the establishment of goals to make our determination to carry out reform clear. We will have a concrete plan ready in September and submit legislation to the Diet by its next regular session. The third was the proposal for independent inspections. The fourth was to look into the separation of financial and fiscal administration within the context of "issues concerning MOF's reform in areas besides financial administration."

The third of these points will need considerable discussion. If it is a matter of the securities market, there are strict sanctions for when the rules or the principles of free competition are violated. However, in the banking world, things like approvals, reports, audits, and inspections are all tied together. It would be extremely difficult to separate out inspections and make that an independent function. It would be desirable, as the Federal Reserve Board chairman says, for multiple agencies to get involved for multiple-level inspections.

One expects the umpire to be fair and independent of the players. We need to discuss how we can ensure that concept in terms of a system, taking into account various different perspectives. In Germany, for example, inspection is divided between offices in Bonn and Berlin, with the head of the inspection division appointed by an institution that stands above the finance minister. In the case of France, the inspection office is located within the finance ministry; responsible leaders in this office, in conference with each other, implement policies, with their autonomy and independence assured. Different countries have different ways of dealing with the problem. Which method is best for Japan has to be carefully considered and discussed.

[KINYU ZAISEI JUO] What is your schedule for getting a final bill?

[Ito] Rather than charging the Financial System Research Council with revisions of the Bank of Japan Law, the prime minister will entrust the job to specialists, enlisting the cooperation of various officials, and, with a concentrated effort, get a report ready in three months. This then will be submitted to the Financial System Research Council for study.

There is a question as to whether or not a third-party review would not be more appropriate since MOF's reform is bound up with the question of administrative reform. That it will be under the leadership of the

coalition party, however, is quite clear. The party's reform plan is due to be completed in September.

Japan: Increased Competition Seen in New Battery Technology

OW2708065196 Tokyo KYODO in English
0642 GMT 27 Aug 96

[FBIS Transcribed Text] Tokyo, Aug. 27 KYODO — One technology begets another, a fact seen in technological breakthroughs in batteries following a rush of compact electronic devices such as notebook computers, industry sources say.

Battery makers have been working toward improving the performance of disposable batteries, mostly those of the alkaline variety, because the one-time-use dry cell is fairly user friendly — cheaper and easier to replace than rechargeables, the sources said.

One key to better performance, they have found, is to pack many chemicals as possible into the limited space in a battery and to generate electricity more effectively.

A popular method for that is to expand the capacity of a dry cell by thinning the cell itself so it can hold a larger quantity of chemicals, such as manganese dioxide.

Thinning a separator that keeps chemicals in the plus and minus poles is also needed to enlarge the capacity and reduce inside resistance, the sources say.

A decisive clue for higher performance is development of highly conductive graphite. Graphite is an indispensable electrical conductor although battery makers are hoping to use a smaller amount to allow a battery to hold more manganese dioxide, which generates electricity.

Matsushita battery industrial corp. Has been using a new graphite for its products since last year to extend battery life, the sources say.

The new graphite, combined with other technologies, for example, helps the company's batteries power a notebook computer for more than an hour and a half.

The key graphite was jointly developed by Nippon graphite industries ltd.

According to a Nippon graphite official, the graphite improved conductivity through reducing its electrical resistance by 40 percent.

The official said graphite for a battery is tangled vertically and horizontally, and the reduction of resistance became possible by removing vertically formed graphite, whose electrical resistance is 100 times stronger than that of iron.

The graphite, he said, was also thinned down to 0.001 millimeter or one-fifth the size of the conventional product, enabling graphite to be condensed and a battery to contain more manganese dioxide.

Toshiba battery co. said it is using some other methods, including crafting a battery with bumps on the inside, which enables chemicals to adhere better to the inside battery surface.

The technology makes it possible for a battery to generate a larger amount of electricity than before and to keep its performance from declining.

"Performance is great, given benefits such as not having to take time to recharge," said Osamu Kawai, general manager of the development division of Toshiba battery's primary battery group.

The battery industry, however, faces several challenges.

When a battery is used for a large volume of electricity, for example, zinc oxide is produced by a rapid discharge. As a result, the inside resistance increases, which limits the use of chemicals to about 30 percent.

"A further improvement of materials and a processing technology and development of chemicals would make a difference," a Matsushita battery technician said.

Japan: Article Discusses FTC Inaction in Cosmetics Industry

962A0101A Tokyo SHUKAN TOYO KEIZAI
in Japanese 3 Aug 96 pp 62-65

[Article by Hiroshi Fukunaga: "Japan's Stagnating Competition Policy; Sales of Cosmetics at List Price Being Overlooked"]

[FBIS Translated Text]

Why Is It That the "Watchdog of the Free Economy" Fails To Bark in the Face of Such Circumstantial Evidence?

"Shiseido still fails to deliver merchandise. The mass media abounds in commentary, such as, 'A conclusion has been reached on the illegal resale issue of cosmetics based on the Shiseido consent decree,' and 'Cosmetics have reached the age of discounting,' but the substantive issue has not been resolved in any way whatsoever," are the angry words expressed by President Ken Fujisawa of the Fujiki main store, a Tokyo retailer of cosmetics.

Already six years have passed since Fujiki received notification of contract cancellation and suspension of deliveries by Shiseido on the grounds that Fujiki violated its chain store contract with Shiseido (see

special commentary on cosmetics price maintenance issue at end of this article).

During the six-year period, numerous events have taken place relative to cosmetics, including cancellation of contracts and delivery suspensions by major cosmetic makers beginning with Shiseido against discounters such as Edogawa Kikaku of Sendai and Kawachiya of Tokyo and counteractions by discounters, including appeals to the Fair Trade Commission, filing of civil suits, and the Fair Trade Commission's abatement advice and consent decree.

However, despite such activity, the prices of expensive cosmetics where face-to-face orientation sales are obligatory—which represents the heart of this issue—have not fallen, except in a very few cases.

Shiseido's Sophism

Up until this point, Shiseido has consistently maintained, "Retail prices are determined by retailers. This firm does not impose constraints in any way." However, Shiseido's assertion is replete with defects in logic.

As an example, there are the reasons for imposing the manufacturer's obligation for face-to-face sales. Shiseido's explanation is, "Although Shiseido cosmetics themselves may be safe, if mistakes are made in the way they are used when an individual is suffering from rashes or eruptions, there is the potential for causing skin problems."

Further, "Even in the case of cosmetics that were used in the past as being compatible with one's skin, since seasonal changes or changes in body condition can cause itching or swelling in the form of skin problems, individuals who sell Shiseido cosmetics have a need to confirm the customer's skin condition on each occasion (text partially deleted) when making sales." (These statements were extracted from documents submitted by Shiseido to the Tokyo District Court.)

If these assertions are to be taken literally, Shiseido, which is supposed to be a prominent cosmetics maker, is manufacturing and selling dangerous products "that have the potential of causing skin problems."

If Shiseido were serious about preventing such skin problems, the manufacturer would have to provide for detailed explanations of cosmetic ingredients and assign to stores as face-to-face orientation experts personnel who are well-versed in the pharmacological effects of the ingredients and skin science. They are certainly not issues that can be handled by sales clerks in small retail shops.

Further, Shiseido also manufactures a group of products that it classifies as relatively cheap "over-the-counter

products" for which face-to-face sales procedures are not obligatory. If one were to compare the preceding assertions on face-to-face sales of high-cost cosmetics and the sales of over-the-counter cosmetics from self-service shelves, he would come to the ironic conclusion that the former cosmetics pose a greater potential of danger to human skin.

This being the case, it becomes questionable as to whether Shiseido itself believes in the need for face-to-face sales procedures.

Further, the assertion made by Shiseido for suspension of deliveries stating, "Fujiki violated its contract by failing to follow face-to-face sales procedures in conducting workplace sales" is ridiculous. This conclusion is drawn because almost all of the Shiseido chain stores do not in reality adhere to face-to-face sales procedures when customers do not request such sales approaches.

Truth Behind the Obligation To Follow Face-to-Face Sales Procedures

Fujisawa ran a little experiment by placing telephone orders for home delivery of Shiseido cosmetics with several department stores that are considered loyal Shiseido sales channels. Needless to say, face-to-face sales procedures cannot be followed in the case of telephone orders.

However, all of the department stores accepted telephone orders. In fact, aside from department stores, even The Ginza, which is a direct retail sales outlet of Shiseido, takes telephone orders making Shiseido's position on the issue quite ludicrous.

In other words, the little experiment with telephone orders proved the very logical point that, even in the case of chain stores considered to be faithful to their contracts, face-to-face sales procedures are not followed when not asked for by the customer. Even Fujiki does conduct product orientations when requested by customers, which makes Fujiki identical in terms of sales procedures with other Shiseido chain stores and department stores.

The only difference between the other stores and Fujiki is that the latter provides discount sales.

The only conclusion that can be drawn from an analysis of such facts is that the real reason why Shiseido unilaterally canceled chain store contracts and suspended deliveries to discounters like Fujiki was not based on nonperformance of face-to-face sales procedures. If this conclusion were in error, numerous stores affiliated with Shiseido should have had their contracts canceled and deliveries suspended.

The real motivation behind the extreme measure of canceling contracts and suspending shipments on the part of Shiseido would have to be concluded as being retaliation for openly discounting the retail prices of high-class cosmetics that were supposed to be "sacred and inviolable."

Currently, hardly any price discounting is seen wherever face-to-face sales procedures apply. Unmistakably, over-the-counter cosmetics placed on self-service shelves of major supermarkets are being discounted. However, system products such as cosmetics that are delivered to retail stores with chain store contracts are still sold in compliance with face-to-face sales procedures and at "fixed prices" known as manufacturer-suggested retail prices.

Moreover, a strange phenomenon is apparent in the discounting of over-the-counter cosmetics placed on self-service shelves. It is a case where many supermarkets are discounting at a uniform rate.

In the first part of April, Fujiki surveyed prices through actual purchases of Shiseido products at the Daiei Tsudanuma store, Itoyokado Tsudanuma store, the Seiyu Shinkoiwa store, the Satei Nishiarai store, Nagasakiya Yachiyodai store, the JUSCO Nishikasai store, the Seikatsu Soko East 21 store, and the Jujiya Yachiyodai store.

In the area of items sold off of self-service shelves, Item A—"Shiseido Ausureze Hair Tonic NA (manufacturer-suggested retail price of 2000 yen) and Item B—"Shiseido Howaitaia Lotion (Sappari)" (manufacturer-suggested retail prices of 1,400 yen) were compared.

The comparison showed that the three stores; i.e., JUSCO, Seikatsu Soko, and Jujiya, provided for varying discount rates between 16 and 20 percent, but the remaining five stores were completely consistent in their discount rates, which were 15 percent at 1,700 yen for Item A and 15 percent at 1,190 yen for Item B. Needless to say, face-to-face sales items were being sold at the "fixed price."

The question is, did this situation develop purely by chance?

In this age of price competition, the only areas where resale prices are uniformly set include products such as tobacco and products for which resale systems are strictly enforced such as newspapers and published material.

When subjected to objective analysis of this nature, it is only natural that one would suspect some sort of artificial manipulation relative to prices of system products.

Even Under Such Circumstances, the Fair Trade Commission Fails To Act

In other words, the face-to-face sales system pricing of system product by makers such as Shiseido, when assessed according to circumstantial evidence and the Antimonopoly Act, is clearly in violation of the law.

However, despite the mounting circumstantial evidence, the Fair Trade Commission, which is supposed to be the "Watchdog of the Free Economy" has failed to make a move against the central issue of forcing discounters to maintain fixed prices.

Once, in response to Fujiki's appeal, the Fair Trade Commission closed the case with a one-liner notice, dated 10 June 1991, and addressed to Fujiki Main Store President Ken Fujisawa, that read, "We have decided not to take any action on your case."

Even in the case of the abatement advice of June 1995 addressed to Kawachiya in response to its appeal, the Fair Trade Commission completely overlooked the foremost issues of chain store contracts obligating them to adhere to face-to-face sales procedures and the unilateral suspension of deliveries, which is highly suspect of abusing authority from a position of supremacy.

In other words, the Fair Trade Commission's behavior is tantamount to issuing its imprimatur to the effect that "there is nothing wrong" with actions by systems products makers who cancel contracts and suspend shipments to selected chain stores.

In reality, Shiseido has strengthened its convictions in its past policies and, since issuance of the consent decree, has launched a new marketing strategy that provides for separate contracts for each brand named product and reinforcement of consulting (face-to-face) sales practices, thereby boosting its influence over chain stores.

According to a source who is familiar with the Fair Trade Commission, although you would not expect such conditions to exist at the commission, supposedly, "Within the Fair Trade Commission, many critical statements are being made of the trend to side excessively with discounters."

Further, the Fair Trade Commission has provided guidance to cosmetics makers over many years through extragovernment nonprofit corporations such as the foundation known as the Fair Trade Association and the Cosmetics Fair Trade Conference. The Fair Trade Association was once chaired for many years by then Chairman Kiyoharu Ishino of Shiseido.

Further, members of the Fair Trade Commission and employees of the commission's Secretariat routinely

contact representatives of member firms of the Fair Trade Association and Fair Trade Conference at functions such as lecture meetings and conferences.

Such practice is virtually the same as the "judge" maintaining intimate relations with the "accused." It appears that this sort of structure is at the root of lenient antimonopoly administration for corporations.

In response to the recent sequence of actions taken by the Fair Trade Commission concerning the cosmetics issue, Toshimasa Tsuruta, a professor at Senshu University and expert on antimonopoly policy comments, "The Fair Trade Commission went as far as it did relative to its abatement advice in June 1995 but I cannot understand why it has overlooked the delivery suspension action taken against Kawachiya, which served as the basis for the abatement advice."

Consumer Should Be Given Benefit of the Doubt

However, even if one were to attempt to find an answer to that question, the Fair Trade Commission maintains an extremely rigid information barrier.

Even when an inquiry was made relative to the appeal by Fujiki wherein the commission made the decision not to take any action, as to just what the commission investigated, what facts it uncovered, and what sort of judgment it arrived at regarding the facts, the commission's Investigation Department consistently replied, "No comment whatsoever."

House of Representatives member Tadatashi Akiba, who deals with reform of antimonopoly policy, comments on such "unopen Fair Trade Commission" posture by saying, "The Fair Trade Commission fails to abide by the basic rule of government that calls for accurately presenting facts to the public."

As an example, even at the First Subcommittee of the House of Representatives Finance Committee on 30 May, in response to a question from Dietman Akiba concerning the public disclosure of information examined, Jotaro Yabe, chief of the Investigation Department, Secretariat, Fair Trade Commission, unconcernedly replied, "We have announced the results of the investigation, but we have not published the findings themselves."

Further, in response to a question from Dietman Akiba on cosmetic price movements, the Fair Trade Commission stated, "We have not conducted a thorough investigation, but we have the feeling that prices for cosmetics are in the process of dropping."

When asked, "How can you tell that prices are dropping without even conducting a thorough investigation?" the reply was a very impudent, "I have a family and, when

family members buy cosmetics, I can get a feel of price trends."

However, "fixed-price sales" of high-class cosmetics sold in the face-to-face orientation format still persist in a manner unchanged from the days when cosmetics were designated as resale items and currently some of the low-priced items are still designated as resale items, while even items sold on self-service shelves are subject to uniform discounting leading to the suspicion of a "new price cartel," according to Dietman Akiba.

The question is, does the Fair Trade Commission, which has been for some time referred to as a "watchdog that fails to bark," amidst such suspicious circumstances, intend to remain silent forever?

The conditions facing Japanese competitive policies are long overdue for a conversion to the fundamental principles of "giving the consumer the benefit of the doubt."

Cosmetics Price Maintenance Issue

In April 1990, Shiseido Tokyo Sales, a subsidiary of Shiseido, notified the Fujiki main store that its chain store contract would be canceled because it had failed to fulfill its obligation to maintain a face-to-face product orientation sales format and suspended shipments of Shiseido cosmetics to the store. Fujiki had installed a "workplace sales" system for distributing product order lists to consumers at their places of employment, such as corporations and government offices, delivering the merchandise to purchasers' homes, and offering a 20-percent discount.

Shiseido's assertion was that its products are delivered only to those retail stores that have signed a chain store contract whereby all such stores are obligated to maintain a "face-to-face product orientation sales system." Shiseido insisted that Fujiki's workplace sales format made it impossible to conduct face-to-face sales orientations, thus putting the retail outlet in violation of the contract.

However, Fujiki concluded that Shiseido's real motive in enforcing the contractual cancellation and suspension of deliveries was not based on the failure to adhere to face-to-face sales procedures, but was based on the discounting of the retail prices. Fujiki filed a petition with the Fair Trade Commission in June charging that the action taken by Shiseido constituted a violation of the Antimonopoly Act, which prohibits manufacturer price constraints (resale price maintenance actions).

However, in May 1991, the Fair Trade Commission canceled its investigation of the matter stating, "We fail

to recognize any action on the part of Shiseido Tokyo Sales that constitute price maintenance action."

In response, Fujiki filed a civil suit with the Tokyo District Court, being dissatisfied with the decision of the Fair Trade Commission.

In September 1993, the Tokyo District Court issued a decision that recognized Fujiki's assertions completely, and Shiseido Tokyo Sales, which lost the case, appealed to the Tokyo High Court.

In September 1994, the Tokyo High Court reversed the decision of the first trial, handing Shiseido Tokyo Sales a victory. Fujiki has appealed the case to the Supreme Court, where the case is now being heard.

On the other hand, another Tokyo discounter, Kawachiya, had its deliveries from Shiseido suspended in 1993 and has appealed to the Fair Trade Commission. The Fair Trade Commission, in response to the appeal in June 1995, issued advice for abatement of Shiseido's request to JUSCO and Daiei, both major supermarket chains, to discontinue discounted sales and Shiseido's resale contract with 19 consumer cooperatives throughout the nation. In October 1995, Shiseido accepted the abatement advice and asked the Fair Trade Commission to issue a consent decree.

However, strangely, the issue of suspended deliveries to Kawachiya has been overlooked.

Japan: Article Says FTC Should Watch Distribution Industry

962A0102A Tokyo SHUKAN TOYO KEIZAI
in Japanese 3 Aug 96 p 66

[Article by Toshihiro Yamada: "The Problem in the Film Industry Is in Distribution; The FTC Should Perform Surgery on the Distribution Industry"]

[FBIS Translated Text]

Even if Constraints by Fuji Film Have Been Removed, Antiquated Trade Practices Remain With Special Franchise Stores.

The stage for the "Japan-U.S. Film Friction," which was initiated by Kodak's filing an appeal under the provisions of Section 301 of the U.S. trade act, has been shifted to the WTO. Concurrently, Kodak began preparations to request that the Japanese Fair Trade Commission conduct an investigation into Fuji Film's violations of the Antimonopoly Act.

Photographic materials constitute a typical oligopoly. Fuji Film, the Gulliver of the industry, has maintained a stable market share with little fluctuation for many years, with a breakdown in the domestic market of 70

percent for color film, 50 percent for color printing paper, and 50 percent for medical X-ray film.

Kodak is targeting Fuji Film itself as a film maker. However, in reality, it is the franchised wholesalers with little or no capital ties to Fuji Film that are imposing competition-limiting measures using the influence that can be wielded with the Fuji name.

The Fair Trade Commission once issued an abatement advice concerning resale price maintenance practices and restrictions on sales regions that Fuji Film was maintaining through the former subsidiary known as Fuji X-Ray and currently known as Fuji Medical Systems. The removal of restrictions on sales regions and imposing competition with a single brand is an important feature of the Antimonopoly Act for "elimination of territory systems."

However, 15 years later, an official of a Fuji Film franchise that handles Fuji Film X-ray materials states, "When university hospitals invite bids for the delivery of film, we are never placed in a position where we compete with other franchisees who offer Fuji X-ray film." Despite the removal of restrictions imposed by the manufacturer based on the abatement advice, designation of sales territories remain an "unwritten rule." In November 1995, the Fair Trade Commission conducted what appeared to be a "fairly large-scale investigation based on the number of personnel mobilized," according to commission sources, concerning suspected bid collusion among major sales firms and franchisees throughout the nation. The incident demonstrated that nothing has changed at the distribution stage.

Even the color film marketing system exists under similar circumstances. Fuji Film took advantage of the abatement advice by modifying other contracts concerning color film. Fuji took action to delete provisions from contracts with special franchisees that previously required that they must seek advance approval of Fuji and obligated them to maintain certain price levels when a decision was made to handle film from other makers.

However, the special franchisees still retain trade practices that utilize the preferential status of Fuji film. A president of a major development, printing, and enlargement chain company points out, "Comparing purchase prices at restaurants that sell Fuji Film products at fixed prices and those for development, printing, and enlargement discount shops, we find that purchase price for restaurants, with only 1 percent of the sales of the discounters, are offered lower purchase prices. You never find such illogical arrangements with Konica and Kodak film." It is not Fuji Film, but the special franchisees that impose "penalty measures against discounted sales."

Fuji Film embraces observance of the Antimonopoly Act and has absolved itself of any wrongdoing. The Fair Trade Commission probably has to perform surgery on the competition-limiting nature that permeates the special franchisee distribution system adopted by the latter from the manufacturer.

Stagnating Japanese Competitive Policies—Actions of the Fair Trade Commission Concerning the Photographic Industry

| Year | Action by Fair Trade Commission |
|------|--|
| 1969 | Investigation of actual pricing of photographic film |
| 1970 | Guidance issued by MITI for normalization of sales of film |
| 1977 | Reinforced surveillance of oligopolies based on a revision of the Antimonopoly Act (Included in items for which coordinated price hikes were monitored were medical X-ray film, general photographic color film, photographic printing paper, and medical X-ray equipment) |
| 1980 | Report of reasons for coordinated price hikes accompanying sharp rise in silver prices |
| 1981 | Advice issued to Fuji and Fuji X-Ray (current Fuji Medical System) for violation of Section 19 by the two firms |
| 1984 | Report of reasons for coordinated price hikes |
| 1987 | Investigation of rebates on color film |
| 1992 | Investigation on 10 items constituting oligopolies including color film |
| 1995 | Commenced investigation on bidding collusion relative to X-ray film |
| 1996 | General color film and photographic printing paper were selected for coverage in the Fiscal Year 1996 "Investigation Concerning Corporate Transactions" |

Japan: Article Discusses Questionable Business Practices

962A0103A Tokyo SHUKAN TOYO KEIZAI
in Japanese 3 Aug 96 pp 68-71

[Unattributed article: "Not only Cosmetics and Film; Still Many Gray' Business Practices; Nothing Will Change With the FTC Just Looking"]

[FBIS Translated Text] Let us surf the network system on a personal computer as an experiment. We note that numerous articles are available under the key words "cartel" or "collusion." The results of the surfing gives one the renewed impression that Japan is a society in which cartel-like qualities are pervasive. Moreover, those cases in which information is available on computer networks are the more prominent cases, and there is no doubt that there are numerous cases of actual violations and suspicions of violations of the Antimonopoly Act that go unreported.

Requests for Price Cuts That Eat Into Profits of Other Departments

"Recently, demands for price cuts are unreasonable," is a complaint voiced by an accounting department chief of an automotive parts maker.

Demands for cost cuts or so-called price cuts imposed on parts makers by automotive manufacturers represent a trade practice that borders on possible abuse of a position of supremacy.

Negotiations for price cuts are conducted continuously from the beginning of each fiscal year, but they are often brought to a conclusion just before the midyear and yearend accounting periods. Until then, parts makers tentatively calculate their sales based on the prices effective at the end of the preceding fiscal reporting period. If price negotiations are settled just before the end of the reporting period, they must deduct the price-cut portion from their sales figures retroactive to the beginning of the reporting period. Some automotive manufacturers label such accounting action as "yearend bundling."

Such actions are feasible because of the overwhelming position of supremacy enjoyed by automotive manufacturers. Parts makers have no choice but to accede to the demands because, "if they should persist in rejecting demands for price cuts, they run the risk of failing to receive subsequent orders."

The practice of demanding price cuts on parts that are already delivered could in some cases represent a violation of the "Subcontracting Act." However, the Subcontracting Act is applicable only to firms

capitalized at less than 100 million yen, while demand for price cuts themselves are not considered violations of the law.

However, recently, there have been cases that are not deemed legal. The parts maker mentioned at the beginning of this section is enjoying considerable growth in sales of its nonautomotive department; but, when faced with price-cut negotiations, it was told, "You need not make a decision now because you will probably have to discuss this cost reduction idea with your nonautomotive department before reaching a conclusion." In other words, unreasonable demands of a nature that eat into the profits of another department are being presented.

The issue of "who shoulders the costs of amortizing the costs of metal molds" if the automotive production falls short of projected goals is another issue where the strengths and weaknesses of both parties are reflected in a gray zone. As an example, let us assume a three-year production plan for 100,000 vehicles. The parts maker invests in a metal mold to supply parts to that quantity of vehicles, but the amortization of the metal mold is handled under a two-year front-loaded basis according to current law. The recovery of these costs incurred on a front-loaded basis is normally based on sales or on the basis of vehicles produced. The price of the applicable parts is inclusive of the amortization costs, and, if 100,000 vehicles are sold in three years, the situation will produce a profit.

However, if the production of the applicable vehicle is suspended before reaching the production goal, it will be impossible to recover amortization costs completely. Normally, the automotive manufacturer that suspended production of the vehicle purchases the metal mold from the parts maker at the figure that represents the unrecovered amortization costs. However, it is rare for an automotive manufacturer to assume responsibility for the full unamortized amount; the sharing of the unamortized costs are based on an audit by the automotive manufacturer, and, according to parts makers, there are times when "the automotive manufacturer asks the parts makers to absorb the unamortized costs."

Abuse of positions of supremacy are not limited to intermanufacturer situations. At one time, the control of distribution by manufacturers was an issue, but, in recent years, manufacturers are made to suffer in the face of the buying power wielded by major supermarkets and convenience store chains. Of special note is that distribution costs tend to fall in the gray zone.

Currently, an increasing number of supermarket chains have opted for consolidated deliveries from vendors to their own distribution centers. Distributors collect fees

for the use of distribution centers by imposing a fixed rate on the value of goods handled, but the criteria for determination of the fee varies considerably based on the nature of the goods and the volume involved. Therein lies the problem.

The fees are subject to variation depending on how the handler assesses the goods processed and serve as a convenient source by which retailers can improve their profits. In extreme cases, retailers place massive orders for processing in the distribution centers at the end of a fiscal year to earn manufacturer annual sales target rebates and to charge distribution center usage fees, only to subsequently return goods to the manufacturer.

Major supermarkets that operate under the principle of buy and stock uniformly boast that "Our firm does not return goods to manufacturers," but complaints never cease from vendors about returned merchandise. In fact, unofficial methods for return of merchandise seem to become increasingly clever and vicious.

Clever Control of Distribution

Whether it be products or services, it is only natural that the vendor wishes to avoid a drop in prices. It is because of this factor that there is no end to undercover dealings.

In May, in the game machine sector, which currently constitutes an oligopoly, Sony Computer Entertainment underwent a company premises investigation by the Fair Trade Commission under the suspicion of undercover resales, but rival maker Nintendo is an old hand at this sort of transaction.

On 23 June, Nintendo began marketing 64-bit game machines bundled together with three sets of software, but it had taken marketing measures to prevent price cuts three months earlier.

Nintendo projected its sales based on a commitment to sell all of its production to "Shoshinkai," its primary wholesaler. Hardware and software reach display counters in retail stores via Shoshinkai and secondary wholesalers. In the past, Nintendo had adjusted its production and sales based on the levels expressed as desirable by the individual wholesalers that operated under Shoshinkai.

However, according to Nintendo President Hiroshi Yamauchi, "There was no end to the resale of products ordered among wholesalers that operated under Shoshinkai." Certain wholesalers would purchase a product in large quantities from Nintendo using promissory notes, and, instead of selling to retailers, they would sell to other brokers for cash, causing a vicious cycle resulting in price cuts of Super Family Computers at

the retail level and overstockage on the part of weak wholesalers and retailers.

Nintendo's new distribution strategy was, in summary, aimed at "eradicating such diversionary brokers." In essence, by the end of September, Nintendo had subjected the 64-bit hardware and its basic software "Super Mario 64" to an apportionment system. Nintendo would determine the quantity to be delivered to each wholesaler, and, in response, the wholesaler only had the option to say, "Yes" or "Please reduce the apportionment."

One source at Shoshinkai states, "Nintendo targeted certain wholesalers such as 'M' in Hokkaido under its new system." The main feature of the new system is that the apportionable quantity is "based on past transaction records," according to a source at Nintendo. He continues, "M" had been marked by Nintendo for some sort of corrective action in that it had a large number of secondary wholesalers under its control and had functioned as a broker. It appears that its allocation of the current 64-bit machine and software has been reduced substantially." Member firms of Shoshinkai have not been informed of how the initial shipment by Nintendo of 500,000 units of hardware were apportioned among wholesalers.

Even software "is being allocated to wholesalers in small increments. The wholesalers are not told how many they will receive until three days before actual delivery," according to the same source at Nintendo.

Concerning such tricky distribution strategy, President Yamauchi is unconcerned in stating, "We have discussed the matter with our lawyers and have come to the conclusion that there are no problems." According to the procedures agreed upon by Nintendo and member firms of Shoshinkai confidentially, no provisions have been made for the period beyond October.

What is Meant by "Independent Production Cuts"

We have seen the strange phenomenon of coordinated "independent production cuts" by industry. The phenomenon is conspicuous in the steel industry where other firms follow the lead of Nippon Steel when the latter announces production cuts, but such phenomenon is also appearing in the semiconductor industry where intense competition is waged on a global basis.

A public affairs officer of a major semiconductor maker grins as he comments, "I am often asked by the mass media if production cuts are discussed among industry member firms." The recent freeze or cut in production hikes programmed for 16-megabyte dynamic random access memory (DRAM) devices was uniformly implemented by all producers.

DRAM prices fell sharply after entering 1996, and prices for 16-megabyte devices fell by two-thirds between February and June. In response to such deterioration in market conditions, semiconductor manufacturers have reexamined their production plans and have decided to effect downward revisions in their near-term production plans by setting them at the monthly rate of 8-10 million units.

While market conditions worsen on the one hand, the Japanese-U.S. semiconductor agreement restrains bargain sales by Japanese makers and serves as a restraint against low-profit mass sales tactics. In that sense, conditions exist that preclude the need to engage in exhaustive competitive practices.

However, this is not the first time that semiconductor manufacturers have effected independent production cuts. Even during the semiconductor recession at the beginning of the 1990's, the manufacturers uniformly restrained additional investments in production facilities for 4-megabyte DRAM's that were about to enter into full-scale volume production.

However, manufacturers who believe their production facilities are inferior to other makers continue with capital investments even during recessionary periods. During the mid-1980's, Toshiba, which had fallen behind on the capability to produce 265-kilobyte DRAM's, continued aggressively to invest in plant capacity for 1-megabyte DRAM's and became the leader in such devices. Toshiba had been criticized by other firms in comments such as, "If they hasten to develop next-generation 1-megabyte DRAM's when prices for 256-kilobyte devices are falling, they increase the risk of accelerating price declines in 256-kilobyte devices."

If the antidumping appeals of the United States are used as an excuse to abandon competition and "independent production cuts" become practice under an unspoken agreement, it will become a case where not only users suffer a disadvantage, but a case where the growth dynamism of semiconductor manufacturers will diminish.

"Coordinated price hikes" often take place in industries where oligopolies have progressed. If manufacturers engage in coordinated price hikes, such acts are deemed cartel actions and violate the Antimonopoly Act. However, when there is lack of adequate evidence to substantiate a cartel, such acts are only recognized as coordinated price hikes and the Fair Trade Commission must limit itself to questioning concerned corporations on the circumstances that system-wise calls for the collection of reports.

Ever since the establishment of the evidentiary hearing system under the revision of the Antimonopoly Act in 1977, the largest number of four inquiries were made for both the beer and national daily newspapers. In the case of beer, the Fair Trade Commission issued guidance in connection with the 1991 price hike whereby the brewers published advertisements stating that brewer-suggested prices were strictly reference prices. Further, price declines taking place since then have signaled the end to coordinated beer pricing.

Coordinated Price Hikes for Newspapers

However, national newspapers seem to be unshakable. They seem to be "completely indifferent" to price declines. Using the 1970 national consumer price index of 100 as a basic measure and comparing that with the national consumer newspaper price index as of the end of 1993, we find that the integrated index stood just above 300 while the newspaper average index stood just below 500. The July 1995 survey by the Fair Trade Commission revealed that the ASAHI, MAINICHI, AND YOMIURI combined index stood at 513 while the NIHON KEIZAI SHIMBUN stood at 573, well above the integrated price index. Moreover, unlike beer, they are protected by resale laws and completely shielded from price declines.

Methods used in effecting price hikes are considerably contemptuous of the subscriber. ASAHI, MAINICHI, AND YOMIURI always raise prices uniformly and avoid any sort of price competition. The initiative for each price hike cycle is assumed on a rotating basis. New higher subscription fees are unilaterally imposed even in the middle of subscription contracts, and quick work is made of them by merely placing an announcement in the applicable newspaper for implementation of the higher fees in the following month. In comparison with the strong advocacy voiced by newspapers for "the public utility of newspapers" against arguments for revision of newspaper distribution systems, the frequency and method of price hikes are devoid of any sensitivity for public interests.

It is a case where different newspapers with differing cost structures, distribution volume, and advertising revenues "inadvertently" and repeatedly effect coordinated

price hikes. Numerous subscribers suspect that newspapers allow the high-cost structure to exist on an uncontrolled basis and that the high costs are merely passed on to subscribers. As an example, one influential industrialist comments, "Where else in the world do you find newspaper reporters running around in expensive chauffeured cars?"

The Economic Planning Agency, which is in charge of price administration, regards as critical issues the limited time currently provided between announcement and actual implementation of price hikes and the spread of price hikes to regional newspapers (between December 1993 and January 1994, 38 of the 69 principal regional newspapers raised prices). Each price hike is followed by a hearing of newspaper directors in charge of sales and the issuance of a document by the Price Bureau director general that encourages the assumption of a cautionary stance; but, just like the case of the Fair Trade Commission hearing evidence, such actions on the part of the Price Bureau are devoid of any impact.

In 1992, the Price Bureau director general placed a verbal request with the Secretariat of the Fair Trade Commission for the "strict enforcement of the Antimonopoly Act." Depending on how one looks at the situation, it appears to be a case where the Economic Planning Agency was prodding the commission. According to commission sources, "Essentially, it is a case of whether we have the will to act; but, in the case of newspapers, we have no choice but to become cautious." In reality, the original objective in adopting the evidentiary hearing system was aimed at the newspapers, but circumstances exist in which newspapers were excluded when they were initially considered for inclusion among industries to be placed on the monitoring list.

It is definitely a case where a look at the hysterical reaction to proposals to review the possible applicability of resale laws to newspapers provides a glimpse into the reasons for cautiousness regarding the treatment of newspapers. However, the Fair Trade Commission is the only agency with authority to handle problems in this area, and, unless the commission exercises its will to act, consumers interests will never be protected relative to newspaper prices.

ASAHI SHIMBUN Will Initiate Next Price Hike Cycle—Coordinated Price Hikes by National Newspapers in the Past 10 Years Expressed in Yen

| Action | ASAHI | MAINICHI | YOMIURI | NIKKEI | SANKEI |
|----------------------|-------------|-------------|-------------|-------------|-------------|
| Date of Announcement | 24 Apr 1986 | 23 Apr 1986 | 24 Apr 1986 | 23 Apr 1986 | 20 Feb 1986 |
| New Price | 2,800 | 2,800 | 2,800 | 3,100 | Unchanged |
| Price Rise | 200 | 200 | 200 | 300 | |
| Date of Announcement | 19 Jan 1989 | 23 Jan 1989 | 10 Jan 1989 | 23 Jan 1989 | 21 Dec 1988 |
| New Price | 3,100 | 3,100 | 3,100 | 3,400 | 2,700 |
| Price Rise | 300 | 300 | 300 | 300 | 400 |
| Date of Announcement | 19 Jan 1992 | 18 Dec 1991 | 11 Dec 1991 | 20 Dec 1991 | 22 Jan 1992 |
| New Price | 3,650 | 3,650 | 3,650 | 4,000 | 3,600 |
| Price Rise | 550 | 550 | 550 | 600 | 500 |
| Date of Announcement | 22 Nov 1993 | 20 Nov 1993 | 14 Dec 1993 | 17 Jan 1994 | |
| New Price | 3,850 | 3,850 | 3,850 | 4,300 | Unchanged |
| Price Rise | 200 | 200 | 200 | 300 | |

Footnote: Price includes morning and evening editions. Separate price hikes effected by SANKEI for 80 yen in April 1989 and 320 yen in February 1991.

Statements by YOMIURI President That Instill Doubt About His Character

On 5 June, the House of Representatives Special Deregulation Committee held a hearing of witnesses on the resale of books. This issue surfaced with the July 1995 interim report issued by the Resale Issue Study Subcommittee chaired by Keio University professor Akira Kaneko to cover research on government regulation and competitive policies based on an appointment by the Fair Trade Commission.

The interim report pointed out that the risk existed of compromising consumer interests in that resale systems were being maintained despite the changing times. In response, the newspapers published articles in their own publications asserting the need to maintain resale systems and earned the scorn of intellectuals, but the statements made by YOMIURI SHIMBUN President Tsuneo Watanabe as a witness on that particular day were even more scandalous.

President Watanabe categorized the interim report as "Empty logic devised at a desk in an ivory tower" and angrily questioned, "Why must newspapers dedicate so

much space to reporting on such asinine concepts?" Further, in response to comments by Tokyo University professor Yoshiro Miwa that characterized the newspaper campaigns as diabolical and antisocial, he labeled both professors Miwa and Kaneko and Senshu University professor and Chairman Toshimasa Tsuruta of the parent committee as "heinous characters" and "minority, insignificant scholars." He topped that statement by commenting, we do not "provide major coverage to arguments of such atrocious individuals" in the manner that we do not give coverage to the "theories of the founder of the Aum Shinrikyo."

Notwithstanding his opposition to abolishment of the resale system, these statements can only be categorized as being vilification and defamation of the ilk that should not be uttered by revered members of the press. In contrast, when it comes to the question of what he intends to do about the coercive sales tactics that must be used in the absence of price competition because of the resale system, he merely makes the feeble statement that he will make an effort to eliminate such practices. Only newspapers violate rules concerning premiums that they themselves formulated.

President Watanabe cites as reason for maintenance of the resale system the cultural aspects of newspapers and insists that abolishment of the resale system would result in price competition, the destruction of the home-delivery system, and loss of half the YOMIURI subscribers. However, price competition can only occur if all the newspapers were of identical quality. Watanabe's statements have only served to unintentionally expose the "quality of the culture" that is sheltered by the resale system.

Japan: Article Discusses Issues FTC Currently Faces

962A0104A Tokyo SHUKAN TOYO KEIZAI
in Japanese 3 Aug 96 pp 72-75

[Article by Genichi Kikuchi, Aoyama Gakuin University Professor: "Prodding the FTC; Return to the Purpose of the Legislation on the Occasion of Organization Strengthening"]

[FBIS Translated Text]

Many Issues Await Action, Such as Decreasing Number of Decrees and Wavering Position on Holding Company Issue

A new frontal attack in the form of a new antimonopoly policy—such an attack must be dynamic, launched on a global scale, and with fairness. The Fair Trade Commission, which is called the "custodian" of the Antimonopoly Act, faces the need to solve some formidable, difficult issues under the new system.

I would like to discuss the issues facing the Fair Trade Commission based on my experience as a commission examiner in the handling of the Yawata and Fuji Steel Companies' merger and the illegal petroleum cartel case and as a member of the team charged with the formulation of a draft plan for revision of the Antimonopoly Act in 1977.

Need Seen for More Legal Measures

On 14 June, a revised Antimonopoly Act was promulgated and enforced to structurally strengthen the Secretariat of the Fair Trade Commission.

The revision elevated the commission Secretariat to General Secretariat, and, aside from the Secretariat Department, which remains, the Investigative Department, Economic Department, and Trade Practices Department of the past were replaced by two bureaus and two departments known as Economic Trade Practices Bureau and Investigative Bureau and Trade Practices Department and Special Investigative Department, accompanied by a wide-ranging reorganization of the internal structure. The authorized manning for the General Sec-

retariat totals 534 for a net gain of 14 over the previous year. When five authorized commission members are added, the total authorized strength is 539.

Otherwise, a decision has been made that the former chief of the Tokyo High Public Prosecutor's Office, Yasuchika Negoro, will assume the chairmanship of the Fair Trade Commission. The assumption of this position by an individual with a prosecutor's background signals a change from a lengthy series of appointments of the chairman from individuals with Ministry of Finance backgrounds and provides the hope of an "authoritative" commission whose independence in exercising its authority will be guaranteed as an administrative commission.

From a global perspective, the staffing of the commission's Secretariat in the past was maintained at significantly low levels but has undergone steady improvement even in the face of strict administrative reform. The ratio of antimonopoly bureau personnel versus GDP of principal nations in 1993 was as reflected in the table. [Table omitted]

The Antitrust Division of the U.S. Justice Department assumes direct responsibility for criminal cases, and the Federal Trade Commission assumes responsibility for consumer issues, while the Fair Trade Commission "rarely" handles criminal indictments, the British Fair Trade Agency handles wide-ranging consumer issues and maintains separate antimonopoly law legal systems and affiliated administrative organizations—indicating that it is not appropriate to make simple comparisons of staffing relative to GDP of the respective nations.

However, on an overall basis, the commission in Japan can be assessed as being comparable to similar agencies in Europe. When compared to the authorized staffing of 363 in the Secretariat (with only 67 employees in the Investigative Department) in 1973 during the petroleum panic when the "Fair Trade Commission was intensely engaged in then current problems," staffing has been expanded substantially.

On the other hand, decrees issued by the commission in terms of administrative actions peaked at 69 in 1973 and has not reached 20 between 1977 and 1990. Finally, after 1991, the count has increased to about 30, but that count is only half the level for 1973.

It was in June 1990 that the final report of Japanese-U.S. structural talks sought the enforcement of antimonopoly law policies, and it would have to be assumed that stepped up application of the law since 1991 was in response to U.S. demands. This was truly a case of intensified enforcement of antimonopoly policies under the momentum furnished by a "tail wind."

The recent structural strengthening has led the way to improvements in investigative capabilities and the outlook for aggressive investigation of violations. However, the issue is to make this outlook a reality, and the formidable, difficult issues can hardly be resolved purely through establishment of the General Secretariat organization. Organizational reform is only the initial stage for issue resolution.

Since Fiscal Year 1990, the number of antimonopoly cases have reached an annual rate of about 160 and are in a gradually increasing phase, and legal measures known as advices are also in the process of increasing.

However, in comparison to warnings and cautionary notifications, which legally constitute nothing more than administrative guidance, legal measures—such as advice and decisions to initiate decrees, which are an important feature of the commission—are being taken in wholly inadequate numbers. Since warnings often cover matters of precedential significance and important social and economic matters, it is critical that warnings and cautionary notifications be converted to legal measures.

Toward such an end, there is a need to develop methods of corroboration based on substantiating principles under administrative procedures, establish transparency in warning and cautionary notification actions, and install clear-cut guidelines for the legitimacy of discretionary actions. In this age of turbulence, we must establish the basic direction for detecting investigative targets based on jurisdictional authority and also competitive policies based on legal measures.

Target Government Regulation and Technical Sectors

Even when advice is issued, there is a bias toward emphasizing certain categories. When viewed from the categories on which advice is issued, the overwhelming number of cases cover the cartel area, such as price cartels and collusion associated with bids, and only a small percentage of the cases cover unfair trade practices.

Even so, when compared to the days when severe criticism was voiced that cases involving government regulation, especially the financial industry under the jurisdiction of the Ministry of Finance, constituted a "sacred area" under the Antimonopoly Act, coverage by the commission is undergoing an improving trend.

After the passage of 24 years since the Tokyo Can Manufacturing case, an advice and decree were issued on 8 May 1996 to the Japan Therapeutic Food Association as a private monopoly case. In this case, it was found that the Japan Therapeutic Food Association, which had received approval from the Ministry of Health and Wel-

fare for the production of therapeutic foods, used the approval system to exclude other vendors from entering into the industry and, thus, violated the Antimonopoly Act.

The transportation industry is referred to in a decree of 10 July 1995 covering the investigation of the Osaka Bus Association. The decree classified as a violation of the Antimonopoly Act even bus fare cartels charging rates below the lower limit approved under the freight tariff and fare approval system under the provisions of the Road Transportation Act. This case can be interpreted as an instance in which actual fares that deviate from approved fares are continuously, without incident, openly implemented and government agencies exercising principal jurisdiction fail to exercise legal authority such as administrative action and criminal indictments and in which exclusionary action can be taken against a cartel using actual competition restricting fares.

The future must cope with the policy issue of applying this new interpretation to other sectors.

Then there are the warning cases involving the 24 October 1994 reversal of judgment concerning "pricing" of hourly repair fees for automobiles involved in accidents that were set by the Japan Indemnity Nonlife Insurance Association, as well as the case of 3 March 1994 warning of violations of the Antimonopoly Act issued to numerous Economic-Agricultural Associations that had requested wholesalers for information on bid price and quantities entered with the Organization for Determination of Independently Distributed Rice relative to independently distributed rice under the provisions of the Food Control Act.

These cases reflect a new trend of promoting competitive policies to the degree feasible amidst a current of government deregulation, but we find the trend somewhat lacking in that the warnings are treated purely as administrative guidance.

Further, in the technical sector, the 17 February 1994 warning covers the risk of violating the Antimonopoly Act in terms of the production quantity restrictions included in the Japan Kaiware (radish sprout) Association consent and agreement document covering methods and use of equipment for growing radish sprouts.

Japan incurs a very low rate of violations of the Antimonopoly Act relative to patents and intellectual property rights compared to the United States where such cases are numerous, and Japan also faces the issue of such cases being covered by simple warnings.

Creation of the "Competitive Policy Bureau" Would Have Been a Logical Step

In the area of organizational reinforcement, a major issue is the failure to create a "Competitive Policy Bureau" as strongly desired by the commission. An editorial contained in the 25 June issue of the NIHON KEIZAI SHIMBUN reported the main reason was opposition from "Kasumigaseki," which stated, "The creation of a new bureau in the Fair Trade Commission is unnecessary because competitive policies are a function covered by individual ministries and agencies."

However, this issue was supposed to have been settled as a result of intense coordination with the Ministry of International Trade and Industry in connection with the launching of the 1968 Antimonopoly Conference. At that time, arguments centered around the appropriateness of the assertion, "The mission of the Fair Trade Commission should be limited to the execution of the Antimonopoly Act under which it is guaranteed the independence of exercising jurisdictional authority and must not include missions as a government agency for competitive and antimonopoly policies."

At that time, an intense confrontation had developed relative to industrial policy and antimonopoly policy in connection with the merger of the Yawata and Fuji Steel Companies. The commission, as a minimum, felt that the study of policy issues involving the coordination of antimonopoly policy and other economic policies, especially industrial policy, fell within its purview and made the decision to launch the 1968 Antimonopoly Conference to handle the exchange of views among informed individuals concerning the status of antimonopoly policy.

The commission is an independent administrative commission but, unlike other government agencies, is guaranteed the authority to present its views to the Diet under the provisions of Section 44-2 of the Antimonopoly Act. The authority to present its views allows it to express its opinions on matters associated with the attainment of the objectives of the Antimonopoly Act to include matters pertaining to legislative issues, via the prime minister. The interpretation is that the prime minister may not modify or change the commission's views presented.

Needless to say, judgments concerning the views expressed are made by the Diet, and it is obvious that the commission is responsible not only for the execution of the Antimonopoly Act but is a policy agency that handles studies on antimonopoly policy, including the appropriateness of the framework of the Antimonopoly Act and the applicability of the act in connection with other laws.

In fact, in the 1977 revision of the act, the Antimonopoly Act Research Association, a private advisory agency of the commission, and the Antimonopoly Conference played an important role. Moreover, the motivational power that helped realize the 1977 revision to reinforce the provisions of the act was the "Outline of a Draft Revision" submitted by the commission itself. The fact that the commission is an antimonopoly policy agency is substantiated by the commission's performance record.

In recent turbulent times, the importance has increasingly intensified to clarify the functional limits of the current act and to engage in the execution of missions involving the formulation of policy to realize the objectives of the act such as "promotion of fair and free competition" and "establishment of the interests of the general consumer."

That being the case, it is extremely regrettable that we did not realize the establishment of a "Competitive Policy Bureau" in connection with the recent strengthening of the commission. Contrarily, if the logic prevailed that competitive policy is the mission of the respective agencies exercising jurisdiction and is not appropriately assignable as a Competitive Policy Bureau of the commission, then the result is the creation of a situation that is contradictory to the logic of the Antimonopoly Act.

Lukewarm Oligopoly Regulation

A major issue in the application of the act exists relative to the problem of regulating oligopolies.

An important objective of the 1977 revision of the act involved the deployment of oligopoly regulation policy centered around controlled price issues. Systems were established to provide for measures to restore competition in monopolistic situations (Sections 8-4 and 2-7 of the act) and collect and publish reports covering reasons for coordinated price hikes (Section 18-2 of the act).

The former regulations have served as the basis for publishing a list of 27 industry sectors as sectors targeted for monitoring. The criteria used to define industry sectors subject to monitoring are more rigid than that contained in laws and ordinances and has been defined as in excess of 95 billion yen in terms of total domestic sales (100 billion yen under the law) and market share exceeds 45 percent for a single company (50 percent under the law)—or cumulative share for the two leading firms exceeds a total of 70 percent (75 percent under the law).

Following the preceding criteria, commodity sectors selected for "monitoring" totaled 24 industry sectors, including beer, whisky, household synthetic detergents,

and color film, while services industries selected for monitoring covered three industries; i.e., domestic scheduled air line services, basic domestic telecommunications, and basic international telecommunications.

Further, based on the latter provisions, 87 products, including beer, whisky, and national daily newspapers, have been designated as industry sectors where domestic sales volume exceed 60 billion yen and the three leading firms' cumulative share exceeds 70 percent. Procedures have been established wherein any coordinated implementation of controlled price hikes are subject to collection and publication of reasons for price increases.

However, notwithstanding investigations of oligopoly regulation policy, the effectiveness of monitoring systems is questioned. The 1992 edition of the "Economic Survey and Research Report—Realities of Competition in the Advanced Oligopolies," analyzes the realities of competition in 10 advanced oligopolies such as the food can containers, color film, and beer and makes recommendations on competitive issues.

As an example, with reference to the film industry that has involved itself in a Japanese-U.S. film dispute evolving into an appeal filed with the WTO, the report points to the virtual three-company oligopoly wherein prices are set in a coordinated fashion and market conditions pose difficulties for new industry participants, clarifies the causative factors, and mentions that Fuji Film has long-enjoyed a high return on the capital ratio, which is extremely high even among advanced oligopolies. Moreover, the report asserts the high profitability became conspicuous from around 1980 and that the reason is believed to be the two film price increases effected in a coordinated fashion in the 1980's.

However, coordinated price increases were merely summarily explained in the annual report to the Diet, a timely report was not publicly issued under disclosure procedures, and no moves have been made to initiate solutions for competitive policy issues.

In addition, the report presents concrete competitive policy issues such as the establishment of conditions conducive to participation by new market entrants and promotion of price competition at the manufacturer and marketing levels based on the results of systemic industry analysis of targeted industries. However, little evidence can be seen of moves toward government actions to stop monopolies or to seek relative improvements.

In fact, the 1977 revision to the act to boost controls over advanced forms of oligopolies reputedly has served to exempt businesses from cartel regulation. Obviously, investigations of cartels associated with advanced oligopolies are almost nonexistent. Even with respect to

coordinated price hikes, the purpose of the 1977 revision to the act was supposed to call for strict surveillance, exercise of investigative authority, enforcement of public disclosure, timely investigations, public announcements, wide dissemination of information for use in public assessments, and disposition of policy issues. It is now indispensable that antimonopoly policy concerning advanced oligopolies serve to renew the government's grasp of the 1977 revisions to the act and to salvage what is left to put the program back on its proper course.

Fair Trade Commission Bureaucrats Must Renew Their Image

Actions taken by the commission since last year on the revision of the provisions of the act relative to the ban on holding companies raised many questions. The advocacies of the commission changed repeatedly in a short period—from an argument declaring the revision unnecessary to partial lifting of the ban, to basic lifting of the ban. It is questionable as to whether the commission has any firm convictions from a competitive policy perspective.

Policy and legislative issues virtually represent sublime struggles concerning the law among interested parties. Revisions to the provisions of the act concerning the ban on holding companies are urgent and important issues involving the core of future corporate systems and competitive order. That being the case, it is unfortunate that the impression was implanted that the commission was unable to offer firm policy direction.

Antimonopoly policy has been on trial for an extended duration. In the commission's history, there was a time when it successfully built an image of bureaucrats who withstood trials, who recognized that antimonopoly policy constituted the "conscience" of modern economic society, who remained uncorrupted in adversity, and who abided by their convictions. Amidst conditions where "ministry interests prevail and national interests are neglected," a commission that embraces economic democracy and a doctrine of preserving the interests of the general consumer cannot establish competitive policies without a policy struggle with other ministries. Antimonopoly policy must be forceful, transparent, and constantly keep an open mind to the consumers' voice.

As long as the Fair Trade Commission bureaucrat is the key to antimonopoly policy, the strengthening of the secretariat organization will achieve its objectives only if we succeed in nurturing commission bureaucrats who are aggressive, open, and unflinching in their convictions.

Mongolia

Mongolia: Cholera, Plague Situation Remains Tense
LD2708092896 Ulaanbaatar Radio Ulaanbaatar
in Russian GMT 26 Aug 96

[FBIS Translated Text] The general situation regarding the cholera epidemic in Mongolia remains tense, although there has been no perceptible change recently. The number of cases has risen to 129, of which 10 patients have died. Nine of the cases form the focus of infection; 2,145 persons have been in contact with patients.

Because of the risk that cholera might spread in Ulaanbaatar, 13 markets and 1,395 trading outlets have been put under supervision; production of drinks at 92 [word indistinct] has been stopped, and penalties imposed on 38 trading outlets which were illegally selling foodstuffs on the street. [Words indistinct] use of water [word indistinct] is banned, areas totaling (7105) hectares have been cleared of rubbish and trash, [word indistinct] more than 2,000 dwelling houses in yurt settlements of Ulaanbaatar and latrines and dumps have been disinfected.

Mongolia's health authorities identified the cholera vibrio as having been brought to the country with foodstuffs made in China. [Word indistinct] minister for [word indistinct] protection, [name indistinct] invited the Chinese Ambassador to Mongolia to a meeting and made a report about this. Also, the Mongolian minister proposed cooperating with the Chinese side to identify the producers of foodstuffs and to (?stop) the export of the cholera vibrio which was brought by Chinese citizens to meet their own [word indistinct], according to the Mongolian government press service.

Also, there is an alarming report from a town in the region [not further identified] where, at the same time as the cholera epidemic, cases of plague have been found in two districts [somons]. These districts have been quarantined. [Words indistinct] have been sent there from Ulaanbaatar to diagnose cases and give assistance.

North Korea

DPRK: NODONG SINMUN Denounces Japan-U.S. Joint Military Exercise

SK2708103096 Pyongyang Korean Central
Broadcasting Network in Korean
1225 GMT 26 Aug 96

— DPRK-owned central radio network

[NODONG SINMUN commentary: "What Is the Joint Military Exercise Aimed At?"]

[FBIS Translated Text] According to a report, the United States and Japan are planning to stage a large scale Japan-U.S. joint military exercise in the East Sea

of Korea [Sea of Japan] in November. The U.S. aircraft carrier Independence, many other warships and planes, and approximately 30,000 military personnel of the U.S. forces and the Ground, Maritime, and Air Self-Defense Forces will participate in the war exercise, which is scheduled to last for two weeks.

The Japan-U.S. Mutual Materials Supply Pact will be applied to this war drill for the first time.

In announcing the plan for this drill, the U.S. and Japanese reactionaries said that it is an annual military exercise and is not seeking any special purpose. However, this is nothing but a pretext to conceal the criminal nature of the war exercise.

This Japan-U.S. joint military exercise is wholly aimed at crushing [apsal] our Republic with the force of arms. This war exercise has so far been staged in the Pacific. However, the United States and Japan plan to move the stage of this war exercise to the East Sea of Korea this year and expand the drill into a general military exercise, in which both aerial exercises and maritime exercises are staged.

The Japanese Defense Agency has said that it plans to stage a Japan-U.S. joint military exercise on the East Sea of Korea to familiarize itself with military action in the Pacific and on other seas. This shows that the purpose of this joint military exercise is to increase its actual fighting caliber in preparation for a Korean war.

In particular, another drill involving Japan's supplying materials and fuel for military actions by the U.S. forces will for the first time be staged simultaneously with the joint war exercise, according to the Japan-U.S. Mutual Materials Supply Pact. It has been revealed that the Japan-U.S. Mutual Materials Supply Pact is an agreement for Japan's rear support for the United States in emergency. The United States intends to use the pact for the first time in a Korean war.

The U.S. war maniacs are trying to crush the DPRK with the force of arms by tempting Japan [to join] in. On the other hand, the Japanese reactionaries intend to realize their ambition of reinvasion by actively participating in the U.S. enforcement of its policy of aggression.

Japan is headed for an overseas invasion in earnest, using security as a pretext. As you can see, there is no change in the policy of the U.S. and Japan to crush us with the force of arms. The situation on the Korean peninsula is very tense right now. At such a time, the United States and Japan plan to perpetrate large-scale fire-game commotions on the East Sea of Korea. This is a very dangerous act that would further intensify the already heated situation on the Korean peninsula.

The U.S. war maniacs are beefing up forces and frantically staging war exercises in the vicinity of the Korean peninsula, while raving about our nonexistent military threat. This shows it is the United States that aggravates tensions on the Korean peninsula.

A daily intensifying situation prevails on the Korean peninsula because of the United States and Japan, and the danger of war is increasing. As long as the war maneuvers by the United States and Japan continue, neither the Korean peninsula nor the Asian region will be peaceful. The United States is a main disturber of peace and stability on the Korean peninsula and in its vicinity.

Our people are increasing their awareness toward such war maneuvers by the U.S. and Japanese reactionaries, which have become more outspoken. Our people want peace, but do not beg for it. Also, they never show leniency toward those who try to infringe on our country's sovereignty.

It is our people's trait to fight fire with fire. If the U.S. war maniacs recklessly attack us to do something about us, they will be burned to death by a fire they have lighted. The U.S. war maniacs must not run amok recklessly, restless with war fever.

DPRK: KCNA Denounces South's Military Maneuvers Near MDL

SK2508065896 *Pyongyang KCNA in English*
0649 GMT 25 Aug 96 — Official DPRK news agency

["Grave Military Provocations Against North" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, August 25 (KCNA) — The Kim Yong-sam group, having turned the Demilitarized Zone into a starting point for attack on the north, recently committed grave military provocations against the North near the Military Demarcation Line (MDL), military sources said.

Hundreds of puppet army soldiers armed with machine guns and rifles took combat positions near the MDL in the central sector of the front and levelled at People's Army soldiers of the North on the opposite side between August 21 and 23.

On August 20, puppet army officers held combat discussions near the MDL in the western sector of the front while puppet army soldiers built a combat position and levelled machine guns at the North side.

The military provocations that coincide with the aggressive Uchi Focus Lens joint military maneuvers show that their frenzy for invasion of the North has reached a dangerous stage.

DPRK: Children, Students, Officials Visit Those on Hunger Strike

SK2408104996 *Pyongyang KCNA in English*
1045 GMT 24 Aug 96 — Official DPRK news agency

[FBIS Transcribed Text] Pyongyang, August 24 (KCNA) — Children of Pyongyang and students of Choson University of the General Association of Korean Residents in Japan today called on Yu Se-hong and To Chong-hwa, delegates of the South Korean Federation of University Student Councils (Hanchongnyon), members of the delegations of the North and overseas headquarters of Pomchonghangnyon of who were fasting at the Tongil House in Panmunjom. They handed the hunger strikers comfort articles and encouraged them with art performances and other talents. The hunger strikers expressed thanks to the visitors and confirmed their resolution to more vigorously struggle to realize their demands. On August 23 officials of all strata in Kaesong visited.

DPRK: Kim Chong-il Receives Letter From SKNDF Central Committee

SK2508061996 *Pyongyang KCNA in English*
0614 GMT 25 Aug 96 — Official DPRK news agency

[FBIS Transcribed Text] Pyongyang, August 25 (KCNA) — The great leader Comrade Kim Chong-il received a letter from the Central Committee of the National Democratic Front of South Korea (NDFSK) [SKNDF] today on its 27th anniversary.

The letter says in part:

The August 25, 1969 foundation of the Revolutionary Party for Reunification (RPR), the former self of the NDFSK, was a brilliant embodiment of the chuche-based idea and theory of party building and a historic declaration of a new start of the social revolutionary movement of South Korea.

In the course of following a new revolutionary road as demanded by the great chuche idea, we renamed the RPR the National Democratic Front of South Korea so that it could strengthen into a vanguard party of broader segments of people to meet the requirements of the situation and the party's development as the slogan for independence against U.S. imperialism came to the fore and the task of national liberation was put on the order of the day.

To meet the people's demand and desire for independence, the NDFSK, an offspring of chuche [philosophy of self-reliance], defined the termination of the colonial rule and establishment of an independent national government in South Korea as its basic political program, and independence and democracy in society and

national reunification as the general ideal of the national democratic movement and has vigorously fought to attain the program and ideal.

Under the guidance and influence of the NDFSK, worship for the *chuche* idea has become an irresistible trend of public opinion, young patriotic fighters and activists of *chuche* type have grown in large numbers and many independent fighting organisations have been formed in South Korea so that the ranks of the revolutionary movement have rapidly grown in quality and quantity.

Now the colonial fascist forces are put on the defensive while the patriotic democratic forces are booming and the national democratic movement is in a new period of change. This is thanks to you, General Kim Chong-il, and this is a precious fruition of the immortal *chuche* idea, which you are enriching.

It is the unshakable faith and pledge of our vanguard fighters and patriotic people to trust and follow you with loyalty and keep this principle to the last through thick and thin.

We will more courageously fight to overthrow the "civilian"-veiled traitorous regime that runs toward fascism, war and division, positively create favorable conditions for the revolutionary movement, invigorate the march for national reunification as wished by the great leader President Kim Il-sung and greatly contribute to making 1996 a historic year of national reconciliation and unity.

The letter wishes Comrade Kim Chong-il good health and a long life.

DPRK: SKNDF Central Committee Sends Letter to Student Councils

SK2508063196 Pyongyang KCNA in English
0627 GMT 25 Aug 96 — Official DPRK news agency

[FBIS Transcribed Text] Pyongyang, August 25 (KCNA) — The Youth and Student Department of the Central Committee of the National Democratic Front of South Korea (NDFSK) [SKNDF] issued a letter to the million students under the South Korean Federation of University Student Councils (Hanchongnyon) on August 23, the Seoul-based radio Voice of National Salvation reported.

The letter said among other things:

The students, who have always been active in the struggle under the banner of patriotism, fully demonstrated their courage and spirit unyielding to injustice and dictatorship, uncompromising to treachery and division and opposed to physical violence and ideological repression through the August 15 Grand Reunification Festival.

The August 15 pro-reunification struggle was a heroic action no less than the May 18 Kwangju resistance in view of staunchness, undauntedness, organisation and unity.

The "civilian"-veiled dictatorship viciously increased the intensity of physical crackdown and carried out a despicable "operation of drying up the protesters," but the valiant students fully proved once again through their practical struggle the truth that justice and democracy will defeat injustice and dictatorship.

The million students should at present unite and deal a counterblow at the "civilian"-veiled dictatorial group's brutal repression of "Hanchongnyon" and wage a more courageous fight to rescue the arrested fellow students.

"Hanchongnyon" and its affiliated student organisations in all parts of South Korea should heighten vigilance over the fascist authorities' white terrorism, actively protect the core members, unite with the workers, farmers and all other people and wage a joint struggle to weather the prevailing situation.

The million students should fight it out until the dictator Kim Yong-sam is brought to trial and punished for his indelible anti-national crimes like Chon Tu-hwan and No Tae-u.

DPRK: ROK Students Demand Release of Arrested Students

SK2508071696 Pyongyang KCNA in English
0643 GMT 25 Aug 96 — Official DPRK news agency

[FBIS Transcribed Text] Pyongyang, August 25 (KCNA) — Some 200 students affiliated with the Kwangju-South Cholla Provincial Federation of University Student Councils held a rally at the May 18 Plaza of Chonnam National University on August 24 and strongly demanded the release of fellow students arrested by the Kim Yong-sam group, according to Radio No. 1 from Seoul.

They gathered with indignation at the arrest of honest-minded students in the wake of the "second Kwangju bloodbath" and protested the fascist clique's search of the university.

They condemned the fascist clique's ban on students' rallies and demonstration as intended to emasculate the student movement.

The students expressed their resolution to wage the anti-"government" struggle more vigorously, chanting slogans demanding unconditional and immediate release of arrested fellow students and discontinuation of crackdown on the student movement.

DPRK: South Students Demand Release of Hanchongnyon Colleagues

SK2608032796 Pyongyang KCNA in English
0314 GMT 26 Aug 96 — Official DPRK news agency

[FBIS Transcribed Text] Pyongyang, August 26 (KCNA) — Some 600 students and members of the Measure Committee Against Overrepression of "Hanchongnyon" (the South Korean Federation of University Student Councils) held a rally in Seoul Saturday [24 August], calling for the release of the arrested fellow students, according to a report.

The ralliers strongly urged the resignation of the director general of the puppet National Police Office, contending that heavy casualties were caused by the Kim Yong-sam fascist clique's brutal crackdown on the Grand Reunification Festival events.

The measure committee declared it would stage a protest sit-in at Myongdong Cathedral for an indefinite period from next week.

DPRK: Foreign Youth Delegates Visit Those on Hunger Strike

SK2608035896 Pyongyang KCNA in English
0310 GMT 26 Aug 96 — Official DPRK news agency

[FBIS Transcribed Text] Pyongyang, August 26 (KCNA) — Delegates of youth organizations from different countries, who are staying in Korea to participate in the celebrations of the 5th anniversary of Youth Day, paid a call on those on a hunger strike at Tongil House in Panmunjom Sunday.

Among them were youth delegates from China, Pakistan, Nepal, Laos, Thailand, Russia, Austria, Sweden, Kazakhstan, Germany, Brazil and Angola.

The visitors heard about the motive and process of the hunger strike from Yu Se-hong and To Chong-hwa, delegates of the South Korean Federation of University Student Councils (Hanchongnyon), before seeing video exposing the Kim Yong-sam group's suppression of students affiliated with "Hanchongnyon".

They expressed solidarity with the hunger strikers and gave their impressions.

Minister of Youth Affairs of Pakistan Ch. Nauroz Shakoor Khan said the Pakistani people will always stand on the side of the Korean people in the struggle for justice. They hoped the question of Korea's reunification would be settled in a peaceful way through negotiations, he added.

A delegate of the Free German Youth, Martina Halchinga, said that Germany's reunification is little different from the annexation of East to West Germany.

"Such a vigorous and brave action as yours is needed for us," she noted.

"We are sure that the Korean people who have the youths like you will certainly reunify the country at their own will," she said.

A delegate of the Youth Organization of the Liberal Democratic Party of Russia, Chestnov Vitali Anatoliyevich, said Kim Yong-sam suppressing "Hanchongnyon" will face a punishment by the people, as Chon Tu-hwan and No Tae-u did. And he contended that the U.S. imperialists, who are hindering Korea's reunification and are the enemy common to the world's peoples, should get out of South Korea.

DPRK: Reunification Chairman, Others Visit Those on Hunger Strike

SK2608040696 Pyongyang KCNA in English
0333 GMT 26 Aug 96 — Official DPRK news agency

[FBIS Transcribed Text] Pyongyang, August 26 (KCNA) — Chairman Paek In-chun and some officials of the North headquarters of the National Alliance for the Country's Reunification (Pomminnyon) on Sunday called on Yu Se-hong and To Chong-hwa, delegates of the South Korean Federation of University Student Councils representing the South headquarters of Pomchonghangnyon, and on members of the North headquarters and overseas headquarters of the National Alliance of Youth and Students for the Country's Reunification who were fasting at Tongil House in Panmunjom to console them.

The Pomminnyon officials handed comfort articles to the hunger strikers and sang the song "Our Wish Is Reunification" shoulder to shoulder with them to encourage their struggle.

DPRK: Kim Yong-sam Denounced for Criticizing Student Councils

SK2608083496 Pyongyang KCNA in English
0739 GMT 26 Aug 96 — Official DPRK news agency

[FBIS Transcribed Text] Pyongyang, August 26 (KCNA) — The traitor Kim Yong-sam reiterated on August 24 that he would obliterate the South Korean Federation of University Student Councils (Hanchongnyon), a radio report from Seoul said.

He made the remark at a party for "elders from different walks of life" at "Chongwadae" (presidential offices). At the party he branded the righteous action of "Hanchongnyon" as "town guerrilla warfare" and its core members as "communists" and declared that he would uproot "Hanchongnyon" at any cost and would never make a retreat whatever others may say.

He had branded the legitimate organisation of a million students as "pro-North" and "benefiting the enemy" in order to obliterate the pivotal organisation of the pro-reunification democratic forces, regarding it as the main target in stifling these forces. Now he labels them as "communists."

This shows he is trying hard, bereft of reason, to obliterate "Hanchongnyon" and the pro-reunification patriotic forces at the point of the bayonet.

DPRK: Hunger Strikers End Protest After One Week

SK2708081696 *Pyongyang KCNA in English*
0810 GMT 27 Aug 96 — Official DPRK news agency

[FBIS Transcribed Text] Panmunjom, August 27 (KCNA) — The hunger strikers at Panmunjom wound up their struggle seven days after they started it.

They had been on a hunger strike at the Tongil House at Panmunjom in protest against the Kim Yong-sam group's fascist crackdown upon the South Korean Federation of University Student Councils (Hanchongnyon).

On August 21, Yu Se-hong and To Chong-hwa, delegates of "Hanchongnyon", which represents the South headquarters of the National Alliance of Youth and Students for the Country's Reunification (Pomchonghangnyon), started the hunger strike, which was joined by delegations of the North and overseas headquarters of Pomchonghangnyon on August 23.

At a joint press conference called this morning upon the conclusion of their struggle, the hunger strikers published a joint statement clarifying their resolution to attain their purpose through a more positive and effective struggle.

DPRK: Hunger Strikers Say Fasting Ends, 'But Struggle Continues'

SK2708082496 *Pyongyang KCNA in English*
0817 GMT 27 Aug 96 — Official DPRK news agency

[FBIS Transcribed Text] Panmunjom, August 27 (KCNA) — Those who had staged a fasting at Tongil House in Panmunjom in protest against the Kim Yong-sam group's fascist suppression of the South Korean Federation of University Student Councils (Hanchongnyon), called a joint press conference on the morning of August 27 at the end of the fasting and expressed their resolution to mount a more active and efficient struggle.

Yu Se-hong and To Chong-hwa, delegates of "Hanchongnyon", which represents the South headquarters of the National Alliance of Youth and Students for the Country's Reunification (Pomchonghangnyon), be-

gan the fasting on August 21 and delegations from the North and overseas headquarters of Pomchonghangnyon joined in it on August 23. The fasting, therefore, developed into a joint struggle of delegates from the North, South and overseas.

Every morning the protesters showed up on the ground in front of Panmun House to denounce the fascist suppression of the Kim Yong-sam group and its anti-reunification nature, press for the realisation of their demands and insist on the justness of "Hanchongnyon."

At the press conference the participants in the fasting made their speeches on its conclusion.

They said that the recent fasting was a struggle to which the peace-loving people around the world and the 70 million fellow countrymen at home and abroad responded. If the people in the North, South and overseas fight in unity as they did during the recent fasting, the day of reunification will come earlier, they said.

The recent struggle made them realise that "Hanchongnyon" is right and that the Kim Yong-sam regime is a base and reckless group.

A joint statement of the delegates of the South headquarters of Pomchonghangnyon and delegations of Pomchonghangnyon North and overseas headquarters, who participated in the fasting, was published.

The joint statement said that during the fasting youth and students and other people in the northern half of Korea and overseas, organisations of progressive youth and students and prominent figures in different countries the world over extended support and encouragement to those participating in the fasting and adopted active solidarity measures in various forms and methods. It expressed deep thanks for this.

The document reads in part:

The recent Panmunjom fasting made a great contribution to demonstrating the justness of "Hanchongnyon" activities and the might of the unity of Pomchonghangnyon.

Our fasting ends today, but struggle continues.

Our demands in the Panmunjom fasting have not yet been met because of the unreasonable attitude of the South Korean authorities.

The struggle of "Hanchongnyon" reflects the desire of the 70 million fellow countrymen and so it was righteous yesterday, is righteous today and will be righteous in the future, too.

We will realise our purposes through a more active and efficient struggle.

DPRK: NDFSK Mission Lays Basket Before Statue of Kim Il-song

SK2608040096 *Pyongyang KCNA in English*
0312 GMT 26 Aug 96 — Official DPRK news agency

[FBIS Transcribed Text] Pyongyang, August 26 (KCNA) — Chief Yi Chong-sang and officials of the Pyongyang mission of the National Democratic Front of South Korea (NDFSK) [SKNDF] laid a floral basket and made bows before the statue of the great leader President Kim Il-song on Mansu Hill on Sunday [25 August] on the occasion of the 27th anniversary of the NDFSK.

Written in the ribbons hanging on the basket were letters reading "The Great Leader Comrade Kim Il-song Is Immortal".

DPRK: MINJU CHOSON Warns Kim Yong-sam Against 'Genuine Liberation'

SK2508062396 *Pyongyang KCNA in English*
0617 GMT 25 Aug 96 — Official DPRK news agency

["Paper on Fool's Remarks" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, August 25 (KCNA) — The traitor Kim Yong-sam in his "address" marking the August 15 liberation day said the "incomplete liberation" should be led to "genuine liberation" which was what they "earnestly wish."

MINJU CHOSON today brands this as a sophism reversing black and white and an intolerable insult and vicious challenge to the northern half of Korea.

The news analyst says:

This is a logic of confrontation and war and a replica of the argument of "unification by prevailing over communism" as it reveals their sinister intention to extend the anti-social, reactionary colonial fascist ruling system of South Korea to the northern half.

His "address" is patent proof that though he calls for "dialogue" it is a sheer lie.

The Kim Yong-sam group have no idea of dialogue and reunification with the North. The argument about "incomplete liberation" clearly shows the puppets are totally denying dialogue and abusing it for sinister purposes.

Kim Yong-sam must act with discretion, mindful of what a miserable end his predecessors met while working hard for confrontation against the North with a wild

ambition for "unification by prevailing over communism."

DPRK: KCNA Interviews Chief of SKNDF's 'Pyongyang Mission'

SK2508073096 *Pyongyang KCNA in English*
0702 GMT 25 Aug 96 — Official DPRK news agency

[FBIS Transcribed Text] Pyongyang, August 25 (KCNA) — Yi Chong-sang, chief of the Pyongyang mission of the National Democratic Front of South Korea (NDFSK) [SKNDF], was interviewed by KCNA on August 23 on the occasion of the 27th anniversary of the foundation of the NDFSK.

With the appearance of the NDFSK the South Korean people could have a true defender and a reliable political staff representing their independent will and interests, Yi Chong-sang said, and continued:

After its foundation the NDFSK has discharged its duty in the struggle for national liberation, democracy and the reunification of the country in the teeth of the harsh suppression by the fascist, separatist and Cold-War conservative forces.

Today the entire fellow countrymen in the North, South and abroad are making a general march toward the building of a reunified country true to the ten-point programme of the great unity of the whole nation put forward by the great leader Comrade Kim Il-song and the day of glory is drawing near when the respected General Kim Chong-il, the leader of the nation, will be acclaimed on the platform of reunification.

The chief of the Havana mission of the NDFSK was interviewed by the Cuban paper GRANMA on August 20.

DPRK: Paper Denounces ROK's Plan To Boost Defense Expenditures

SK2708081496 *Pyongyang KCNA in English*
0803 GMT 27 Aug 96 — Official DPRK news agency

[FBIS Transcribed Text] Pyongyang, August 27 (KCNA) — The South Korean puppet agency of finance and economy decided to allocate 14,260 billion won for "budgetary defence expenditure" for next year, an increase of 12 percent above this year's, and to sharply increase expenses for police and equipment at the instructions of the traitor Kim Yong-sam.

NODONG SINMUN says that this is one more clear evidence that the traitor Kim Yong-sam's manoeuvrings to step up war preparations against the northern half of Korea with redoubled efforts and strangle the patriotic pro-reunification democratic forces of South Korea have reached an extremely reckless stage.

The news analyst further says:

Such manoeuvrings of the Kim Yong-sam group are a last-ditch effort of those doomed to ruin, driven into a corner by the people's struggle for independence, democracy and reunification which is gaining momentum with each passing day.

With any sabre-rattling violence and war preparations against the northern half of Korea the puppet clique cannot frighten and put down the South Korean students and people who have risen up in a struggle for peace of the country and its peaceful reunification.

DPRK: Council Official Receives Condolences From Bulgarian Official

SK2608092996 *Pyongyang KCNA in English*
0853 GMT 26 Aug 96 — Official DPRK news agency

[FBIS Transcribed Text] Pyongyang, August 26 (KCNA) — Premier of the Administration Council Kang Song-san received a telegram of sympathy from his Bulgarian counterpart Jean Videnov [name as received].

The telegram expressed deep condolences of the Bulgarian people to the bereaved families of the dead and all other flood victims of the DPRK.

DPRK: Kim Chong-il Receives Sympathy Message From Cambodian King

SK2608034696 *Pyongyang KCNA in English*
0317 GMT 26 Aug 96 — Official DPRK news agency

[FBIS Transcribed Text] Pyongyang, August 26 (KCNA) — Comrade Kim Chong-il, chairman of the National Defence Commission of the Democratic People's Republic of Korea and supreme commander of the Korean People's Army, on August 23 received a message of sympathy from Cambodian King Norodom Sihanouk in connection with the flood damage in Korea.

In the message, the Cambodian king extended full solidarity to the patriotic efforts of the Korean people to clear away the recent flood damage at an early date.

The message further said:

The Cambodian people always remember that when they suffered immeasurable disasters in the past, his excellency President Kim Il-song, the most distinguished man, and your excellency marshal, his greatest and most outstanding heir, invariably extended constant and firm support to them.

Out of such feelings of deep friendship, the Cambodian people and I assure your excellency of the fraternal

friendship and solidarity based on everlasting constructive cooperation between the two countries and peoples.

Well aware of the indomitable will displayed by the Korean people, performing heroic exploits in state building under the leadership of your excellency marshal, I am firmly confident that they will surmount temporary difficulties caused by natural disasters and build a more developed and prosperous country.

DPRK: Liaoning Provincial Friendship Delegation Arrives 24 Aug

SK2608114296 *Pyongyang Korean Central Broadcasting Network in Korean*
1300 GMT 24 Aug 96
— DPRK-owned central radio network

[FBIS Translated Text] A friendship delegation of the Liaoning Province of China led by Mu Suixin, vice governor of the Liaoning Provincial People's Government, arrived in Pyongyang by train on 24 August.

DPRK: Railways Ministry Delegation Leaves for PRC

SK2408015196 *Pyongyang Korean Central Broadcasting Network in Korean*
1300 GMT 19 Aug 96
— DPRK-owned central radio network

[FBIS Translated Text] A DPRK Railways Ministry delegation headed by Kim Yong-sam, the Railway Ministry's chief of staff, left Pyongyang by train today to visit China.

Vice Railways Minister Choe Hak-chin and Yang Zhu-tai, counselor of the Chinese Embassy to the DPRK, sent the delegation off at the Pyongyang station.

DPRK: Cultural Preservation Delegation Departs for PRC 19 Aug

SK2408045396 *Pyongyang Korean Central Broadcasting Network in Korean*
1300 GMT 19 Aug 96
— DPRK-owned central radio network

[FBIS Translated Text] On 19 August, our country's delegation of functionaries in charge of cultural preservation departed Pyongyang by train for the PRC.

DPRK: Chinese PLA Song, Dance Troupe Arrives in Pyongyang 20 Aug

SK2408060296 *Pyongyang Korean Central Broadcasting Network in Korean*

1300 GMT 20 Aug 96

— DPRK-owned central radio network

[FBIS Translated Text] On 20 August, the song and dance ensemble of the Chinese People's Liberation Army [CPLA] headed by Major General Tian Aixi, deputy head of the Cultural Section of the CPLA General Political Department, arrived in Pyongyang by train.

To welcome the Chinese artists, who were coming to our country with friendly feelings toward our people, numerous soldiers and artists of the Korean People's Army [KPA] turned up at Pyongyang Station.

Hung at the railway station were slogans reading "We warmly welcome the visit of the CPLA song and dance ensemble to our Country" and "Hurrah to the traditional friendship between the armies and the peoples of the DPRK and the PRC," as well as drawings that depict welcome, friendship, and unity.

As members of the CPLA song and dance ensemble disembarked from the train, the crowd warmly welcomed them.

Welcoming the delegation at the railway station were KPA Lieutenant General Han Tong-kun, functionaries concerned, and Liu Jianhua, military attache at the PRC Embassy in our country.

The soldiers gave a bunch of flowers to guiding members of the song and dance ensemble.

In this evening, the KPA General Political Bureau arranged a banquet for the song and dance ensemble at the Ongnyugwan.

**DPRK: UN Children's Fund Delegation Leaves
Pyongyang 24 Aug**

**SK2608143896 Pyongyang Korean Central
Broadcasting Network in Korean**

1300 GMT 24 Aug 96

— DPRK-owned central radio network

[FBIS Translated Text] A delegation of the UN Children's Fund headed by Pratima Kale, director of the East Asia and Pacific Regional Office, left Pyongyang on 24 August by plane.

Functionaries concerned bid the delegation farewell at the airport.

**DPRK: Foreign Youth Delegations Arrive for
Youth Day Festivities**

SK2508072096 Pyongyang KCNA in English

0652 GMT 25 Aug 96 — Official DPRK news agency

[Names as received]

[FBIS Transcribed Text] Pyongyang, August 25 (KCNA) — Foreign youth delegations and delegates arrived in Pyongyang on August 24 to participate in the celebrations of the 5th anniversary of Youth Day.

Among them are a delegation of the Ministry of Youth Affairs of Pakistan led by its Minister Ch. Nouraz Shakoar Kan, a delegation of the Kazakhstan Youth Union led by its First Secretary Esenzhol Aliyarov, a delegation of the Democratic National Youth Federation of Nepal led by its General Secretary Udaya Raj Pandey, a delegation of the Communist Youth League of China, a delegation of the Lao People's Revolutionary Youth Union, a delegation of the Revolutionary Young Communist League of Sweden, a delegation of the National Bureau of Youth Affairs of Thailand, a delegation of the Youth Organization of the Liberal Democratic Party of Russia, a delegation of the Youth Organization of the Social Democratic Party of Austria, a delegate of the Union of the Young Communists of Cuba, a delegate of the German Youth, a delegate of the October 8 Revolutionary Youth of Brazil and a youth delegate of the Popular Liberation Movement of Angola.

**DPRK: NODONG SINMUN Praises 1991 Kim
Chong-il Article on Youths**

SK2608090396 Pyongyang KCNA in English

0736 GMT 26 Aug 96 — Official DPRK news agency

[FBIS Transcribed Text] Pyongyang, August 26 (KCNA) — NODONG SINMUN today dedicates a signed article to the 5th anniversary of the publication of "Young Men and Women, Be the Vanguard Unfalteringly Loyal to the Party and the Leader", a famous work of the great leader Comrade Kim Chong-il (August 26, 1991).

The work is a highly important one which gave comprehensive answers to theoretical and practical matters arising in firmly preparing young men and women as ardent revolutionaries and true youth vanguards loyal to the party and in developing the Korean youth movement onto a new higher stage.

Pointing out that a remarkable change has taken place in the ideological and spiritual traits of the Korean youths in the past five years since the publication of the work, the author of the article says:

The nobleness of their ideological and spiritual traits finds its expression, above all, in the fact that they live and struggle with an unshakable revolutionary determination to resolutely safeguard the leader like bullets and bombs.

They inherited the spirit of resolutely safeguarding the leader from the seventh regiment of the anti-Japanese guerrilla army, which had absolute worship for the leader, readily bore the brunt of the enemy's attack for the security of its headquarters and unhesitatingly shielded the headquarters from flying enemy bullets with their bodies.

Another expression of the nobleness of the young Koreans' ideological and spiritual traits is that they are fully demonstrating their youthful resourcefulness and courage in the struggle to add lustre to the Korean-style socialism centred on the people with the unshakable faith in socialism and are devoting their all to society and the collective and revolutionary comrades with a lofty sense of communist moral obligation and revolutionary outlook on life.

It is the great pride and happiness of the Workers' Party and people of Korea to have the young men and women with excellent ideological and spiritual traits which cannot be seen anywhere else.

DPRK: Kim Chong-il Calls on Youths To Exalt Kim Il-song's Feast

SK2708041596 *Pyongyang KCNA in English*
0403 GMT 27 Aug 96 — Official DPRK news agency

[FBIS Transcribed Text] Pyongyang, August 27 (KCNA) — The great leader Comrade Kim Chong-il called on youths to exalt the brilliance of President Kim Il-song's idea on the youth movement and the achievements made under his leadership.

This call has come in a discourse given to today's edition of CHONGNYON CHONWI, the organ of the Central Committee of the Kim Il-song Socialist Youth League, on the fifth anniversary of the Youth Day (August 28).

Titled "Let Us Exalt the Brilliance of Comrade Kim Il-song's Idea on the Youth Movement and the Achievements Made Under His Leadership", the discourse published on August 24 outlines the tasks to defend and glorify the great feats the respected leader President Kim Il-song performed for the youth movement and put the youth movement on a higher stage under the leadership of the Workers' Party of Korea.

It says the young people of today and all the youth of future generations should revere President Kim Il-song as the great leader and great father, defend his idea and

achievements and champion his cause to the last with the single mind of faithfulness and filial piety.

It also says young people must highly value and ardently love socialism, the lifeblood of the Korean people, and smash every attempt of the imperialists and reactionaries to disintegrate Korean socialism.

It notes that they must sharpen their vigilance against the infiltration of all manner of anti-socialist ideas and bourgeois mode of life, reject them categorically and staunchly defend the socialist ideology and our socialist system from abuses, slanders and subversive moves by the enemies of socialism.

It calls on the youth to take the lead in socialist construction, defend the homeland and the people, play the role of vanguard in the efforts for national reunification and display noble moral traits. It also gives tasks to strengthen the youth league and further enhance its function and role.

DPRK: Kim Chong-il Calls on Youth To Defend, Develop Socialism

SK2708042396 *Pyongyang KCNA in English*
0408 GMT 27 Aug 96 — Official DPRK news agency

[FBIS Transcribed Text] Pyongyang, August 27 (KCNA) — "Young people must be a staunch champion, powerful builder and reliable defender of socialism who are safeguarding and developing our socialism of chuche."

The great leader Comrade Kim Chong-il says this in his discourse titled "Let Us Exalt the Brilliance of Comrade Kim Il-song's Idea on the Youth Movement and the Achievements Made Under His Leadership" he gave to CHONGNYON CHONWI, the organ of the Central Committee of the Kim Il-song Socialist Youth League, to mark the fifth Youth Day (August 28).

The discourse says that when socialism is made degenerate and the trend of bourgeois liberalism prevails, the younger generation becomes ideologically and mentally unsound before anyone else and leads a decadent life and when socialism has collapsed and capitalism has been restored, the rising generation becomes the most wretched victims and falls into the most miserable condition.

It also says that owing to the pernicious anti-socialist offensive of the imperialists and the nasty trick of the betrayers of socialism, socialism is going through a trial and its image has been seriously damaged.

It notes that the youth must sharpen their vigilance against the infiltration of all manner of anti-socialist

ideas and bourgeois mode of life, reject them categorically and staunchly defend the socialist ideology and the socialist system from abuses, slanders and subversive moves by the enemies of socialism.

DPRK: Kim Chong-il Stresses WPK Leadership in Youth Movement

SK2708043096 *Pyongyang KCNA in English*
0414 GMT 27 Aug 96 — *Official DPRK news agency*

[FBIS Transcribed Text] *Pyongyang, August 27 (KCNA)* — The leadership of the Workers' Party of Korea [WPK] is the lifeline of the Korean youth movement and young people.

The great leader Comrade Kim Chong-il stresses this in his discourse titled "Let Us Exalt the Brilliance of Comrade Kim Il-song's Idea on the Youth Movement and the Achievements Made Under His Leadership" given to CHONGNYON CHONWI, the organ of the Central Committee of the Kim Il-song Socialist Youth League, to mark the fifth Youth Day (August 28).

The discourse says:

"If the young people are given correct leadership and revolutionary education and training, they can be prepared into a revolutionary generation. If not, they will tread the path to reaction, corruption and degeneration, the path that obstructs social development.

"If the youth movement of our times is to be a revolutionary one, it must receive the leadership of the working-class party and its leader and serve the cause of independence for the popular masses.

"Without the leadership of the working-class party and its leader and without revolutionary education, it would be impossible for the young people to acquire revolutionary consciousness, become organized into a strong revolutionary force fighting for the cause of independence for the popular masses or play their role as a revolutionary new generation.

"The idea that the working-class party should take a grip on youth work and educate and train young people on revolutionary lines is fundamental to the solution of the youth problem."

It also says the WPK loves and treasures the young people dearly and has put it forward as an important strategic policy in carrying forward and consummating the revolutionary cause of *chuche* to develop youth movement and enhance the role of young people.

Only under its leadership can youth movement advance along the road of *chuche* invariably, fulfill its mission and role and carve out the destiny and future of the young people with credit, it stresses.

DPRK: Kim Chong-il Issues 'Discourse' on Youth Day

SK2708045196 *Pyongyang KCNA in English*
0433 GMT 27 Aug 96 — *Official DPRK news agency*

[FBIS Transcribed Text] *Pyongyang, August 27 (KCNA)* — The great leader Comrade Kim Chong-il published a discourse titled "Let Us Exalt the Brilliance of Comrade Kim Il-song's Idea on the Youth Movement and the Achievements Made Under His Leadership" on August 24 to mark the fifth Youth Day.

The discourse is carried in today's edition of the newspaper CHONGNYON CHONWI, the organ of the Central Committee of the Kim Il-song Socialist Youth League.

The first part of the discourse deals with the idea that the great leader Comrade Kim Il-song pioneered and led the *chuche*-orientated youth movement in Korea.

In the discourse Comrade Kim Chong-il stresses that Comrade Kim Il-song opened up a new epoch of the youth movement in Korea and led it to develop vigorously along absolutely correct lines.

The discourse says:

The *chuche* youth movement pioneered and led by Comrade Kim Il-song is an absolutely revolutionary youth movement in that it struggles for the people's independence under the leadership of the working-class party, trains young men and women into the vanguard of the revolution and construction and heirs to the revolutionary cause and ensures that they fulfill their mission and role.

On the basis of the principles of the *chuche* idea, Comrade Kim Il-song defined the young people as a fresh militant contingent that constitutes the driving force of the revolution, and as a powerful force that propels social progress.

Comrade Kim Il-song regarded the revolutionary education and training of the younger generation as the key to the youth problem and stressed this work as the main task of the youth movement.

The idea that the working-class party should take a grip on youth work and educate and train young people on revolutionary lines is fundamental to the solution of the youth problem.

The idea and theory of the *chuche*-orientated youth movement elucidated by Comrade Kim Il-song are a guideline that must be adhered to in developing the youth movement in the age of independence.

Comrade Kim Il-song consistently followed the policy of giving importance to the young people in the revolution and construction.

The politics of attaching great importance to young people pursued by him was based on his noble love for and trust in them and on his firm belief in the future of the country and the revolution.

The slogan "Love the future!" was the revolutionary creed of Comrade Kim Il-song who, with firm belief in the prospect of the revolution and in the future, devoted all his life for the future and for our younger generation. This slogan reflects Comrade Kim Il-song's noble intention and his great personality.

Already in those days when the question of the replacement of one generation by another was not put to the fore as yet in carrying out the socialist cause, Comrade Kim Il-song put great efforts into getting the third and fourth generations of the revolution to follow the noble revolutionary spirit and loyalty to the revolution from the first and second generations. In many countries which had been building socialism, the socialist cause encountered twists and turns and met frustration. This is mainly because in the past these countries neglected and did not pay attention to the revolutionary education and training of young people and, as a result, reliable reserves of the revolution were not prepared to succeed to the first and second generations with the change of generations.

Under the intelligent guidance of the great leader Comrade Kim Il-song, the Korean youth movement has dynamically advanced along the road of *chuche*, and our young people have performed lasting exploits for the country and the revolution, for our times and history.

The red banner of our party is imbued with the precious blood of our young people.

Unfailing faithfulness to the party and the leader, the spirit of devoted service for the motherland and fellow people, noble moral obligation for the revolutionary forerunners and comrades, a strong sense of organization and discipline, diligence and simplicity—these are the characteristics of the young people of Korea who have been educated and trained by the great leader and great party.

Having the ranks of revolutionary and militant young people Comrade Kim Il-song educated and trained is a source of great pride for our party and people and, because of these fine young people, our party and country are powerful and our revolution is ever-victorious.

In the second part of the discourse Comrade Kim Chong-il stresses that the WPK [Workers Party of Korea], inheriting Comrade Kim Il-song's idea of attaching importance to young people, has put it forward as an important strategic policy to develop youth movement and enhance the role of young people.

The discourse says:

"Love young people!"—this is a new slogan our party advanced to instill strength and confidence in the young people and bring them up to be more wonderful driving force of the revolution upholding the ennobling will of respected Comrade Kim Il-song.

Our party adopted an important measure of renaming the League of Socialist Working Youth of Korea Kim Il-song Socialist Youth League. This historic measure is a vivid reflection of the unshakable will of our party and the unanimous desire of our young people to defend and add glory to the undying exploits the great Comrade Kim Il-song performed for the development of youth movement and inherit and consummate his cause down through posterity despite the change of generations in the revolution.

Defending and adding luster to the ideas and theories of youth movement he expounded and the great achievements he scored for the development of the movement is the way for the Kim Il-song Socialist Youth League and all young people to fulfill their honourable mission and duty and to attain their ideals and aspirations.

Comrade Kim Chong-il in the discourse puts forward the detailed tasks facing the young people in fully preparing themselves to be the party's young vanguard and successors to the revolution.

He stresses that young people should become unfailingly faithful and filial sons and daughters of the party and the leader and safeguard the WPK and follow its leadership with loyalty.

He further says:

Young people must be a staunch champion, powerful builder and reliable defender of socialism who are safeguarding and developing our socialism of *chuche* [philosophy of self reliance].

The destiny of socialism is immediately the destiny of the country and people and the destiny of young people.

Young people must sharpen their vigilance against the infiltration of all manner of anti-socialist ideas and bourgeois mode of life, reject them categorically and staunchly defend the socialist ideology and our socialist system from the abuses, slanders and subversive moves by the enemies of socialism.

Our party appeals to the young people to take the lead in effecting a new upsurge in socialist construction.

Defending the socialist fatherland is the noblest of all duties and the highest honour devolving on the young people. All our young people must be reliable defenders who support our party and defend the security of their fatherland and people with arms.

The young people must be the vanguard in the struggle for national reunification.

The young people must acquire noble moral qualities as true human beings and become men of ability equipped with modern science and technology.

We must strengthen the youth league and enhance its function and role still further. Organizations of the league must always maintain their basic character as an organization for politico-ideological education and direct their main effort to strengthening ideological education and organizational life among young people.

The youth movement in our country is closely connected with the progressive youth movement of the world and the youth league must strive to strengthen the international solidarity of the youth movement. The youth league must develop unity and cooperation with the world's progressive young people who are aspiring after independence, in conformity with the ideals of independence, peace and friendship, and must actively support and encourage the youth of all countries in their just struggle for sovereignty, independence, peace and socialism.

The role of educational institutions must be further enhanced in training the youth and the entire party, state and society must pay attention to the training of young people.

It is very important in this work to create revolutionary atmosphere and spirit in society. We must ensure that a sound and revolutionary climate prevails in the whole society so that the youth and children grow up under good, revolutionary influence at all times. In addition, we must take thorough measures to protect our youth and children from the infiltration of all sorts of unsound, corrupt and reactionary ideas and culture.

The future of our young people, who are exalting Comrade Kim Il-song's idea on the youth movement and the achievements made under his leadership, following our party, is bright and the Korean youth movement will always triumph, the discourse concludes.

DPRK: Kim Chong-il Sends Thanks to Electric Power Units

SK2608150196 *Pyongyang Korean Central Broadcasting Network in Korean*
2100 GMT 24 August 96
— DPRK-owned central radio network

[FBIS Translated Text] The great leader of our party and our people Comrade Kim Chong-il sent thanks to the Power Industry Ministry, the Changjingang Power Station, and the Power Distribution-Transformation General Enterprise of South Hamgyong Province, which had achieved innovative results in the struggle to smoothly solve the electricity problem. Upholding the great leader's behest and the party's intent, the functionaries, workers, and technicians of the Power Industry Ministry, the Changjingang Power Station, and the Power Distribution-Transformation General Enterprise of South Hamgyong Province strived to produce and supply more electricity to the brisk sites of socialist construction, overcoming difficulties with the revolutionary spirit of self-reliance and fortitude. Thanks to their devoted efforts, they supplied more electricity to various sectors of the people's economy, contributing greatly to the national interest, thus opening a sure prospect for increasing the production of electricity. Meetings to deliver thanks from the great leader Comrade Kim Chong-il were held at the relevant units. Functionaries of the relevant sector and functionaries, workers, and technicians of relevant units attended the meetings. At the meetings, the great leader Comrade Kim Chong-il's thanks were delivered amid the enthusiastic applause of those attending. This was followed by a debate expressing resolutions. Letters of resolutions were adopted at the meetings.

DPRK: Tractor Parts Plant Increases Production To Send to Farms

SK2508060096 *Pyongyang Korean Central Broadcasting Network in Korean*
1200 GMT 23 Aug 96
— DPRK-owned central radio network

[FBIS Translated Text] Party members and workers of the Chongjin Spare Tractor Parts Plant, who consistently implement the party's revolutionary economic strategy, are now stabilizing the production of tractor spare parts which are necessary for the overall mechanization of the rural economy, sending them to socialist cooperative farms.

Comrade Nam Sang-in, chief engineer of the plant, met with station reporter Choe Chang-hwa and said:

[Begin Nam recording] Party members and workers of the Chongjin Spare Tractor Parts Plant, who consistently

implement the party's revolutionary economic strategy, are now vigorously carrying out the struggle to send more spare tractor parts to socialist farms. Without relaxing the spirit that overfulfilled the targets for the first half of this year and for July, they are vigorously fanning the flames of struggle for increased production.

We have set a target date of 10 October to complete this year's plan. In August, we stabilized production of spare parts at a high level, and are currently rushing ahead vigorously.

Party members and workers who maintain the important production process are thoroughly carrying out technical management in accordance with the demand of technical regulations; thus, the volume of production of (?molten iron) per [word indistinct] is enhanced over 1.3 times.

Members of the [word indistinct] work site are mobilizing and utilizing inner reserves to the utmost through the revolutionary spirit of self-reliance and fortitude, and are vigorously carrying out a popular technical innovations movement, thus achieving great results.

Over 85 percent of the tools necessary to produce spare tractor parts are being produced by ourselves, and thus are being supplied without proving an obstacle to production. In addition, fighters of [word indistinct] work site are operating at full capacity at every facility—including lathes, drilling machines, and [word indistinct]. They are rationally utilizing various tools according to each process, stabilizing the production of spare parts at a high level.

Party members and workers of our Chongjin Spare Tractor Parts Plant are endlessly encouraged by the thank you letter sent by the great leader [widaehan yongdoja] Comrade Kim Chong-il. Thus, in conformity with the existing self-reliant base, we will produce and supply more spare tractor parts in the future to send to cooperative farms. We resolve to actively contribute to the overall mechanization of agricultural production. [end recording]

DPRK: Increased Power Production at 16 June Thermal Power Plant

*SK2508062196 Pyongyang Korean Central Broadcasting Network in Korean
2100 GMT 23 Aug 96
— DPRK-owned central radio network*

[FBIS Translated Text] Upholding the fatherly leader's behest, functionaries and the working class of the 16 June Thermal Power Station are continuously effecting upsurges in power production.

Functionaries, workers, and technicians of this power plant have concentrated their efforts on the management

of facilities and technology, thus guaranteeing their full operation. They have also technically carried out the operation of the generation facilities, maintaining a high and steady daily production quota of 105 percent. In particular, fighters at the heat generation and turbine workshops have greatly contributed to the maintenance of a high and steady rate of production by beefing up routine and rotation checks.

South Korea

ROK: Radio Reports U.S. Congressman Tony Hall's Arrival in Seoul

*SK2408150596 Seoul KBS-1 Radio Network
in Korean 1400 GMT 24 Aug 96
— State-run radio of the ROK*

[FBIS Translated Text] Tony Hall, the member of the U.S. House of Representatives and the U.S. Democratic Party who visited North Korea to inspect its food shortage, arrived in our country today to explain the results of his North Korean visit to high-level foreign policymakers in our government.

U.S. Congressman Tony Hall stayed in Pyongyang for three nights and four days starting on 21 August, and toured areas damaged by floods. He intensively inspected the areas to see if the emergency food offered by the United States has been distributed in an appropriate manner [chedaero paeundoego innunjirul chipchungjoguro salpyobogo]. In addition, it was learned that he discussed with the North Korean side the issue of handling U.S. soldiers missing during the Korean war.

In the meantime, it was also learned that Karl Spence Richardson, the director designate of the U.S. liaison office in Pyongyang who went to Pyongyang with Congressman Tony Hall, has stayed on in Pyongyang in order to settle with the North Korean side the issue of opening the U.S. liaison office.

Congressman Tony Hall will meet high-level foreign policymakers in our government tomorrow [25 August], including a breakfast meeting with Foreign Minister Kong No-myong, to explain the results of his North Korean visit. He will hold a news conference and depart Kimpo Airport in the afternoon.

ROK: U.S. Congressman Calls DPRK Situation 'Organized Disaster'

*SK2508103096 Seoul YONHAP in English
1025 GMT 25 Aug 96
— Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Seoul, Aug. 25 (YONHAP) — North Korea faces a "very good possibility" of ex-

periencing famine in the near future, a U.S. congressman said Sunday after returning from a three-day trip to North Korea.

"People are terribly thin," Rep. Tony Hall (Democrat-Ohio) told reporters before departing for the United States at Kimpo International Airport. "We were told that people since January have lost a minimum of 30 pounds apiece."

Hall, who went to the North to oversee the distribution of U.S. humanitarian aid there, cited the vast destruction he saw of much of North Korea's farmlands. According to reports he heard there, the floods last month were more devastating the ones which occurred last summer.

Pyongyang has been limited to giving 250-350 grams of food per citizen daily, which is near starvation levels, he said. He urged South Korea, Japan, the United States and the world community to provide more assistance to the North.

"Can the international community do more? Yes, and they must," said Hall, who chairs the House Democratic Task Force on Hunger.

He stressed the potential danger of widespread malnutrition in the hobbling North, saying he saw cases of rickets there.

In his discussions with North Korean vice foreign minister, Kim Kye-kwan, and the ministry's American Affairs Bureau director, Yi Hyong-chol, Hall said he stressed that the communist country open itself more in light of its situation, and that they were considering it.

The U.S. Government, however, will not use the aid issue to induce the North into accepting the proposed four-party talks for peace on the Korean peninsula, he said, adding that he hopes that Pyongyang will accept the talks.

Hall also confirmed that a U.S. cargo ship carrying 13,000 tons of food arrived in the North on Friday, with some receiving the food a day after it arrived.

From what he saw, the politician said, he was very happy with the distribution of the food aid, saying that he was allowed to inspect areas that were not on his delegation's original schedule.

He called what he saw in the North an "organized disaster," in that fields were green when he arrived and that priority is given to children in food rationing. Adults are refusing food for the sake of children, he added, but he did not see or hear reports of people eating grass to survive, as was reported earlier.

The World Food Program has estimated that North Korea needs about 243,000 tons of food per month to give each citizen 700-900 grams of food daily, he noted.

ROK: Richardson To Visit Seoul 28 Aug To Brief ROK on DPRK Trip

SK2708071096 Seoul YONHAP in English
0703 GMT 27 Aug 96

— *Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Seoul, Aug. 27 (YONHAP) — Karl Spence Richardson of the U.S. State Department, who has been named head of Washington's liaison office to be opened in Pyongyang, will come to Seoul Wednesday to brief Seoul officials about the result of his week-long trip to North Korea, a Foreign Ministry official said.

Richardson will come to Seoul to discuss the outcome of the talks with North Korean officials on the exchange of the liaison offices between Pyongyang and Washington and other bilateral issues, said Director General Yu Myong-hwan of the American Affairs Bureau.

The former head of the Korea office at the U.S. State Department, Richardson accompanied U.S. Congressman Tony Hall to Pyongyang last Wednesday and continued to stay there even after Hall departed Pyongyang Sunday.

The liaison offices were expected to be opened by the end of last year but North Korea refused to allow U.S. officials to pass through the truce village of Panmunjom with diplomatic pouches and other materials.

North Korea originally agreed with the idea of Americans bringing pouches and equipment through Panmunjom but later reversed the position for unknown reasons.

Officials presume that the North might want to get more from the Clinton administration before exchanging liaison offices, under the notion that the Clinton administration may want to open its liaison office in Pyongyang before the November presidential elections.

Another scenario is that the North Korean Government faces strong opposition from hardliners of its military who do not want to accept Washington's liaison office in Pyongyang.

ROK: Government Turns Down U.S. Demand for Bond Market Opening

SK2708021196 Seoul THE KOREA HERALD
in English 27 Aug 96

p 8 — Generally pro-government English-language daily

[Unattributed report: "Government Spurns U.S. Demand for Opening Bond Market, Allowing Cash Loans"]

[FBIS Transcribed Text] The government has turned down a U.S. demand that Korea open its bond market and allow cash borrowing from abroad to join the Organization for Economic Cooperation and Development (OECD), Ministry of Finance and Economy officials said yesterday.

The United States recently made the demand through diplomatic channels, citing that Korea's revised market opening plan, presented to the OECD's two committees on capital movements and international investments last month, is not satisfactory, the officials said.

In addition, Washington pressured Seoul to postpone till October the calling of a meeting of the OECD Council of Directors to determine Korea's entry into the Paris-based club of industrial nations, they said.

The government, however, delivered to the United States its stand that no additional concessions concerning bond market opening and cash borrowing could be made and Korea is in no position to put off the council meeting further.

The United States made no further demands regarding Korea's reaction and the council meeting will be held Sept. 12 as scheduled, the officials said.

Days after wrapping up Korea's entry standard review, early last month, the two OECD committees demanded in a letter that Korea open its bond market, permit cash borrowing and take other financial opening measures. The two units are the Committee on Capital Movements and Invisible Transactions and the Committee on International Investment and Multinational Enterprises.

Late last month, Korea informed the committees that it can not open the domestic bond market and allow cash borrowing until the gap between domestic and foreign interest rates drops to a 2 percentage level.

But Seoul replied that foreigners will be permitted to invest in unsecured convertible bonds issued by large local businesses, in 1998.

It also said that local corporations participating in large-scale infrastructure-building projects will be permitted to borrow cash from foreign lenders.

ROK: President Comments on DPRK, Domestic Economy at Luncheon

SK2708085196 Seoul YONHAP in English
0838 GMT 27 Aug 96

— Semiofficial news agency of the ROK

[FBIS Transcribed Text] Seoul, Aug. 27 (YONHAP) — President Kim Yong-sam, noting that North Korea is now amidst a situation where "no one can predict its future," stressed Tuesday that North Korean issues shall never be approached from a "sentimental" point of view.

At a Chongwadae [presidential offices] luncheon he hosted for standing ruling party advisors including Yi Hoe-chang, Choe Hyong-u, Yi Han-tong and Pak Chang-chong, Kim said, "despite a very critical situation created by the recent floods, North Korea lacks the ability to recover."

"After the death of Kim Il-song, its internal discipline has weakened so as to even show signs of a power split," Kim was quoted as saying by New Korea Party (NKP) spokesman Kim Chol.

The president then asked his advisers for a better understanding and interest on the issue.

"Because any changes in North Korea has a bearing on us, I'm watching North Korea with interest and concern," he added, saying that he and U.S. President Bill Clinton were actively cooperating to prevent the North from engaging in any "unnecessary acts."

On the recent violent student demonstrations orchestrated by Hanchongnyon, the Korean Federation of University Student Councils, he said, "Hanchongnyon's act of beating policemen with metal pipes is not a unification movement; rather it is an anti-unification deed."

Kim cited the current investigation into the student protests, vowing that the forces behind the demonstrations would be tracked down to the end. He also suggested that some of the sites of the violent incidents at Yonsei University should be used for a citizens' education center.

Turning to economy, President Kim said he expects the national economy to pick up next year, blaming the falling international prices of semiconductors and consumer electronic goods which account for 25 percent of the nation's total exports for the slowdown in exports.

The trial of former presidents Chun Tu-hwan and No Tae-u on mutiny, treason and bribery charges "will not have that much impact" on overseas business of enterprises, he said.

Kim said his visit to Latin American countries next month will help tap new markets for Korean products in Central and South America.

But he did not discuss intra-party debates on presidential nomination issue and results of the trial of Chon and No.

Also attending the meeting were Min Kwan-sik, Hwang In-song, Yi Man-sop, Hwang Nak-chu, Kim Myong-yun, Kang Son-yong and Kim Yong-chung. Kim Yun-ho and Kwon Ik-hyon were absent because they are on overseas trips.

Party chairman Yi Hong-ku, secretary-general Kang Sam-chae and chief presidential secretary Kim Kwang-il were on hand.

ROK: Minister Denies North Proposed Tripartite Talks

SK2708070296 Seoul YONHAP in English
0647 GMT 27 Aug 96

— *Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Seoul, Aug. 27 (YONHAP) — South Korean Foreign Minister Kong No-myong Tuesday urged North Korea to come forward for a four-party meeting on a permanent peace regime on the Korean peninsula, saying that the food shortage and any other issues facing the North could be discussed in the proposed talks.

"As President Kim Yong-sam clearly stated in his Aug. 15 speech, comprehensive food assistance to the North is an important part of the economic cooperation plan we are prepared to discuss at a four-party meeting," said Kong while speaking to a luncheon meeting of the Korean American Association at the Hyatt Hotel, central Seoul.

Kong stressed that "there is much more we can do to ease North Korea's food shortage," taking note of the fact that South Korea, the United States and Japan provided 15.2 million dollars of humanitarian food aid to North Korea last June.

Kong urged the North to look squarely at reality, saying, "Once North Korea accepts the four-party meeting proposal, it will realize how beneficial cooperating with us is, as in the case of the light-water reactor project which has proceeded rather smoothly and steadily thus far."

Kong dismissed apprehensions by the North that the North's bilateral dialogue with the United States could be compromised once the North accepts the four-party meeting.

"These are unnecessary apprehensions. The meeting does not preclude the possibility of direct talks between

Pyongyang and Washington on bilateral issues such as missile, MIA and the exchange of liaison offices," he said.

Kong also said that the proposed joint briefing on the four-party meeting should not serve as a blockade to the four-party meeting.

The joint briefing was originally devised to meet the request of the North, Kong stressed, so Pyongyang should accept it without any precondition.

Kong did not expect the North would come forward soon for the four-party meeting. "The North is now reluctant to accept a joint briefing. They are demanding additional food assistance and the easing of the U.S. economic sanctions before the briefing is held.

"In view of our past experience, we intend to be patient and stand firm on our basic principles."

The foreign minister denied reports that the North offered to hold a three-party meeting between South and North Korea and the United States instead of the four-party meeting jointly proposed by Seoul and Washington.

ROK: Reunification-Related Offices Meet To Discuss DPRK Issues

SK2708073696 Seoul YONHAP in English
0723 GMT 27 Aug 96

— *Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Seoul, Aug. 27 (YONHAP) — The government expects that a 50-member South Korean delegation's participation in North Korea's investment forum on its Najin-Sonbong Free Economic and Trade Zone slated for Sept. 13-15 in the zone will contribute toward improving inter-Korean relations.

A view to that effect was shared by those who attended a meeting of unification-related ministers Tuesday morning, a spokesman for the National Unification Board [Ministry of National Unification] said.

The participants agreed to positively review ways to push economic cooperation between the two Koreas among related administrative agencies, according to the spokesman.

The delegation, made up of businessmen, government officials and journalists, is to travel to Najin via Beijing and Yanji, Jilin Province, China.

The office of planning for light-water reactor project reported to the meeting that legal foundation for the project will have been laid when two protocols on the project site, labor and services are initialed in New York between the Korean Peninsula Energy Development

Organization (KEDO) and North Korea probably early in September, and that work on the reactor project will begin within the year.

Upon completing a rough cost estimate for the reactor project sometime in September, South Korea, the United States and Japan will discuss in earnest how to share the cost among them, it was also reported.

The planning office intends to use money provided by the South-North economic cooperation fund before the cost-sharing is determined.

To invigorate and effectively operate the unification-related ministerial meeting, they decided to establish three subcommittees on unification dialogue, economic and social issues, and to convene the conference quarterly.

It was also decided to have the Agriculture-Forestry and Marine Affairs-Fisheries Ministers attend the conference. The participation of the former in the meeting is designed to facilitate discussions about how to help the North cope with its food shortages, the spokesman said.

Ministers or vice ministers from 21 administrative agencies attended the meeting which was presided over by National Unification Minister Kwon O-ki.

Among the participants were Foreign Minister Kong No-myong, Home Minister Kim U-sok, Justice Minister An U-man, Defense Minister Yi Yang-ho, Education Minister An Pyong-yong, Trade, Industry and Energy Minister Pak Chae-yun, Agriculture and Forestry Minister Kang Un-tae and Information Minister O In-hwan.

ROK: Conference on DPRK Airspace Opening To Be Held in Bangkok

SK2708003096 Seoul YONHAP in English
0017 GMT 27 Aug 96

— *Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Tokyo, Aug. 27 (YONHAP) — A coordination conference will be held in Bangkok Sept. 10-13 to discuss the issue of permitting civil aircraft to fly over the North Korean airspace, the ASAHI SHIMBUN reported Tuesday.

The meeting, convened under agreements North Korea has signed with the International Civil Aviation Organization (ICAO) and the International Air Transportation Association (IATA), will be attended by aviation officials from South Korea, North Korea, China and Japan as well as ICAO representatives.

The meeting will address issues including two air routes — one linking Tokyo-North Korea-Beijing and

the other connecting Khabarovsk-Vladivostok-North Korea-Seoul, the daily said.

Japan expects that an air route linking Tokyo with Beijing via North Korea flying over Niigata will be allowed to replace the current Japan-China route passing through South Korean air space, according to the newspaper.

Pyongyang signed an air space passage agreement with ICAO in February last year and sent a memorandum of cooperation to IATA in early August.

Some aviation officials think that Pyongyang is going to allow civilian aircraft to pass over its airspace in a bid to earn foreign exchange by collecting airspace passage charges.

ROK: Government Announces Temporary Ambassadorships

SK2708100996 Seoul YONHAP in English
1002 GMT 27 Aug 96

— *Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Seoul, Aug. 27 (YONHAP) — The government decided Tuesday to assign ambassadorship to former science and technology minister Chong Kun-mo for one year beginning next month, who is set to represent the country at the 40th general meeting of the International Atomic Energy Agency (IAEA) and an IAEA board of governors meeting.

It also resolved to give ambassadorship to Kim Un-yong, a member of the International Olympic Committee (IOC), for the same period. He will be ambassador in charge of sports exchanges.

Kim is to attend the 106th meeting of the International Olympic Committee, 10th meeting of the Association of National Olympic Committees (ANOC) and the 15th meeting of the Olympic Council of Asia (OCA).

ROK: Kia Plans To Increase Output at Indonesian Auto Plant

SK2308083496 Seoul YONHAP in English
0808 GMT 23 Aug 96

— *Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Seoul, Aug. 23 (YONHAP) — The participation of Korea's second largest carmaker, Kia Motors Corp., in Indonesia's national car project got into full swing, business sources said Friday.

Kia, which recently shipped 2,000 Sephia passenger cars to Indonesia, brought in 50 Indonesian assembly workers for the carmaker's Sephia assembly line in the Asan plant in central Korea. The Indonesian workers

arrived here Aug. 21 to attend the company's week-long automobile service and assembly training.

Kia is encouraged by the rising popularity for Sephia among Indonesia consumers and has decided to increase initial assembly output projections for its Indonesian plant to 120,000 to 130,000 units from 50,000 units, according to the sources.

ROK: Vice Foreign Minister Departs for Five-Day Visit to PRC

SK2508031296 Seoul YONHAP in English

0302 GMT 25 Aug 96

— *Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Seoul, Aug. 25 (YONHAP) — Vice Foreign Minister Yi Ki-chu departed for China Sunday morning for a five-day visit at the invitation of his Chinese counterpart Tang Jiaxuan.

During his stay in Beijing, Yi is scheduled to hold a vice foreign ministerial meeting with Tang to discuss the situation on the Korean peninsula and East Asia and the proposed four-way Korean peace talks.

Yi will explain to China progress made with respect to the four-country talk proposal and ask Beijing to help persuade Pyongyang into accepting the four-country talks, according to Foreign Ministry officials.

The vice foreign minister will also ask for China's cooperation in an early opening of a South Korean Consulate General in Shenyang and prevention of accidents involving South Korean firm employees stationed in China and South Korean tourists visiting China.

Recently novelist Kim Ha-ki entered North Korea from China and Pak Pyung-hyon, head of the Kia Motors training institute in China was murdered.

Yi is also scheduled to meet with a number of top Chinese leaders including Foreign Minister Qian Qichen to exchange views on matters of mutual interest including ways to further bilateral trade and economic cooperation.

ROK: Overseas Missions Warned of Hanchongnyon-Related Terrorism

SK2708050196 Seoul YONHAP in English

0443 GMT 27 Aug 96

— *Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Seoul, Aug. 27 (YONHAP) — The South Korean Embassy in the former Yugoslavia has taken urgent precautionary security measures after the Macedonian Community Party threatened to attack the mission, other South Korea-related facilities and South Korean nationals in connection with the Han-

chongnyon [South Korean Federation of University Student Councils] incident in Seoul, Foreign Minister Kong No-myong said Tuesday.

Kong told a cabinet meeting that his ministry issued instructions to all diplomatic missions based overseas to beef up security measures for the safety of all Korean nationals and facilities because several other foreign left-leaning organizations have also delivered protests to the missions regarding the incident.

Kong, in his report, said that Hanchongnyon, the umbrella organization of university and college student councils, have called for a solidarity struggle via the Internet.

The Macedonian Communist Party, in particular, has faxed messages to the Korean mission warning of attacks on Korean facilities, Kong said.

Some 30 members of the "Ad-Hoc Committee for the Reunification of Korea and U.S. Withdrawal from Korea" affiliated with the Canadian Communist Party reportedly staged a demonstration in front of the Korean Embassy in Canada at noon last Saturday.

The demonstrators demanded that American armed forces retreat from Korea and that the South Korean Government stop oppressing Hanchongnyon, the Foreign Ministry said.

THE BANGLADESH OBSERVER reported Saturday that a minor leftist-leaning student organization had expressed their "solidarity with the Korean students' pro-democracy movement," according to the ministry officials.

ROK: Judge Rebukes Defendants for Pleading Not Guilty

SK2608080696 Seoul YONHAP in English

0743 GMT 26 Aug 96

— *Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Seoul, Aug. 26 (YONHAP) — Judge Kim Yong-il, who presided over a three-judge panel which gave former presidents Chon Tu-hwan and No Tae-u and 12 other former generals sentences ranging from four years in prison to death Monday, rebuked the defendants for their pleading not guilty on the charges brought against them in four categories — the military mutiny in December 1979, the bloody suppression of the pro-democracy uprising in Kwangju in May 1980, and Chon and No's bribery cases.

Refuting the defense lawyers' argument that the prosecution abused its power in dealing with these cases because the period of limitations for public action against the two ex-presidents and other defendants had expired,

Kim said the prosecution's investigation into the cases was lawful because it was made under the special law concerning the May 18, 1980, incident.

Moreover, because the constitution provides that statutory limitations on an incumbent president shall be suspended while he is in office, the limitations on Chon and No are still in effect.

In addition, the limitations began Feb. 25, 1993, under the special law concerning the May 18 incident.

Regarding the arrest of martial law commander Gen. Chong Sung-hwa without due process on Dec. 12, 1979, Kim said it was an outright act of mutiny intended to forcibly seize control of the army, because under martial law, the martial law commander shall not be arrested without prior approval of the defense minister and the president.

Although the defendants argued that they arrested Chong because they believed president Choe Kyu-ha would give an ex post facto approval, the judge said, it was apparent that defendant Chon ordered Ho Hwa-pyong to haul Chong away from his residence at 7:00 PM. The same day, "irrespective of the president's approval" and that he obtained Choe's ex post facto approval while his power as head of the state was put under a shaky situation.

Refuting the defense's argument that the defendants moved troops under their control to protect the president and the people because the army generals loyal to martial law commander Chong first moved the troops under their control, Kim said it proved to be true in the course of the trial that the rebel troops moved earlier than the loyal troops.

Regarding the action the defendants took to extend martial law across the nation in connection with the pro-democracy uprising in Kwangju, Kim said the action resulted in disturbing the constitutional order by breaking up the parliament.

On the bloody suppression of Kwangju citizens pro-democracy demonstrations, Kim said the defendants ordered their troops "to exercise the right of self-defense" in spite of the high possibility that it would lead to indiscriminate and bloody shooting because they already knew that protesters were armed.

Rebuking Chon and No for their argument that they had received donations, not bribes, while in office, Kim said the money they received cannot be regarded as not having the nature of bribe in view of how and where they received it, how they managed it and where they used it.

Kim explained that defendant Pak Chun-pyong was found innocent because he attended the Kyongbok Palace meeting of mutiny officers without knowing that the meeting's agenda included a discussion of how to arrest martial law commander Chong and because he refused to obey Chon's order to move his 20th Army Division for the mutiny.

ROK: More on Those Sentenced in No Tae-u Slush Fund Case

SK2608084496 Seoul YONHAP in English
0818 GMT 26 Aug 96

— *Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Seoul, Aug. 26 (YONHAP) — Choe Won-sok of the Dong Ah Group was sentenced to two and a half years in prison and three other conglomerate leaders — Kim U-chung of Daewoo, Chong Tae-su of Hanbo and Chang Chin-ho of Jinro — were condemned to two years in prison Monday for giving bribes ranging from 10 billion to 15 billion won to former president No Tae-u during his tenure.

A three-judge panel of the Seoul district court also condemned Yi Hyon-u, who served as No's chief bodyguard No during his tenure, to a seven-year imprisonment and a fine of 610 million won for accepting bribes from businessmen. [sentence as received]

No's two close associates, Kum Chin-ho and Yi Won-cho were also given three-year prison terms for their roles in No's collection of bribes from businessmen.

None of the convicted were not arrested right away after the prison term sentences were announced in view of their contributions to economic development or of the circumstances under which they gave bribes to No. [sentence as received]

Samsung Group Chairman Yi Kon-hui was also sentenced to two years in prison for giving bribes totaling 10 billion won to No, but with a stay of execution for three years.

Dongbu Group Chairman Kim Chun-ki was given a prison term of one and a half years with a two year stay of execution, Daelim Group Chairman Yi Chun-yong and president Yi Kon of Daeho Construction Co. each a prison term of one and a half years with a stay of execution for three years, and president Yi Kyong-hun of Daewoo Corp. a prison term of 10 months with a two year stay of execution.

Kim Chong-in, former economic aid to No, was given two and a half years in prison with a stay of execution for four years and Yi Tae-chin a one-year prison term with a stay of execution for two years.

**ROK: YONHAP Recaps Sentences in No, Chon
Slush Fund Cases**

SK2608091096 Seoul YONHAP in English
0841 GMT 26 Aug 96

— *Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Seoul, Aug. 26 (YONHAP)
— The following are the sentences meted out to people
found guilty of involvement in the accumulation of a
large slush fund by former president No Tae-u:

1. No Tae-u: 22 years and six months in prison, which
is

also for his involvement in the Dec. 12 and May 18
incidents.

2. Yi Kon-hui, Samsung chairman: Two years in prison
with a

three year stay of execution.

3. Kim U-chung, Daewoo chairman: Two years in
prison.

4. Choe Won-sok, Dong Ah Group chairman: Two and
half a years

in prison.

5. Chang Chin-ho, Jinro group chairman: Two years in
prison.

6. Yi Chun-yong, Daelim Group chairman: One and half
a years

in prison with a three year stay of execution.

7. Kim Chun-ki, Dongbu group chairman: One and half
a years in

prison with a two year stay of execution.

8. Yi Kon, Daeho Construction head: One and half a
years in

prison with a three year stay of execution.

9. Yi Hyon-u, ex-presidential chief body guard: Seven
years

in prison

10. Kum Chin-ho, former solon: Three years in prison

11. Kim Chong-in, ex-Chongwadae [presidential of-
fices] senior

secretary: Two and half a years in prison with a four
year

stay of execution.

12. Yi Won-cho, former solon: Three years in prison.

13. Yi Kyong-hun, Daewoo Corp. head: 10 months in
prison

with a two year stay of execution.

14. Yi Tae-chin, ex-Chongwadae accounting officer:
One year in

prison with a two year stay of execution.

15 Chong Tae-su, Hanbo Group chairman: Two years
in prison.

Meanwhile, the following are the sentences handed
down to those found guilty of involvement in Chon Tu-
hwan's accumulation of a large slush fund:

1. Chon Tu-hwan: Death, which is also for his leading
role

in the Dec. 12 and May 18 incidents.

2. Chong Ho-yong, ex-defense minister: 10 years in
prison,

which is also for his involvement in the May 18 incident.

3. An Hyon-tae, ex-presidential chief body guard: Four
years

in prison and 50 million won fine.

4. Song Yong-uk, ex-national tax administration head:
Three

years in prison.

5. An Mu-hyok, ex-Agency for National Security Plan-
ning chief:

Three years in prison.

6. Sakong Il, ex-finance minister: Two and half a years
in prison with a four year stay of execution.

**ROK: Editorial Supports Outcome of Chon, No
Trial for Mutiny**

SK2708002396 (Internet) The Digital Chosun Ilbo
WWW in English 1157 GMT 26 Aug 96

[Editorial: "Coup D'etat Is Judged Guilty"]

[FBIS Transcribed Text] The December 12 incident was
judged to be an act of military mutiny aimed at taking
over power and not an investigation by the new military
leadership of Kim Chae-kyu, assassin of President Pak
Chong-hui, despite the fact that there was no force
involved in getting approval from then-President Choe
Kyu-ha. The May 17th and 18th incidents, moreover,
were judged to be riots, not an act of murder for
insurrection, thus justifying the defendants' actions. The
money former President Chon and No received from

businessmen, furthermore, constituted comprehensive bribery although most of the contributors, except a few, did not give money for specific benefits.

These are the central points from the first trial of Chon and No and their associates. Although the trial is still in process and these sentences need to be confirmed by the Supreme Court, we must, nevertheless, review the historical meaning of these sentences, even though it is the first trial.

The first point is the military coup d'etat was condemned as a criminal act for the first time in history. The principle of "if you win, you are king; if you lose, you are a traitor" has practically operated during our entire history. But as a result of this sentence, even successful coup d'etats will be judged as a guilty act. A new just and great cause has been established in our political ideology. From now on, nobody can erase the destruction of legality by force and win illegal power through such plans.

Another important point is that errors in our history will one day be judged rightly as a mistake. In the past, these errors were forgotten for the sake of maintaining political continuity.

Another noteworthy point of this judgment is the lesson that even though a chief of state commits a crime, he can be heavily punished at a later date. This kind of practice is already common sense in western countries, but not in Asian societies like Korea where one could not customarily condemn the king with his own shameful act. But this sentence contains the logic that everyone is equal before the law, thereby producing a large shock to our traditional concepts.

In the past, those in power or political leaders were accustomed to the practice of taking money and not considering it a crime. Their reasoning was that for politics and governing money is necessary, so taking money from businessmen is an act of governing and is not a bribe. In this way, an ambiguity surrounding the line between illegal corruption and political or governing funds in our society has managed to continue. This sentence, however, made the difference clear by defining such slush funds as comprehensive bribery.

Along with this observation, what we are expecting is that this trial will provide a strong blast and catalyst toward the nation's larger unification process rather than just a statement of punishing the past. There may be discontent from both sides regarding this sentence, but history is slowly changing in this way and the fact that change is possible means there exists a strong self-correcting capacity in the Republic of Korea.

In this era of a law-ruling democracy, we must go through this kind of clearance. We must advance to an era of "the rule or domination of law" and "national operation by system" instead of stagnating in authoritarianism. We are now at the stage of coping with political errors in order to heal the side effects of historical incidents and are moving toward a society ruled by law and systematic national operations.

ROK: Ruling, Opposition Parties Comment on Chon, No Sentencing

SK2708003596 Seoul THE KOREA TIMES in English
27 Aug 96 p 2 — Daily English-language newspaper
published by HANGUK ILBO

[Report by staff reporter Kim Yong-pom]

[FBIS Transcribed Text] The nation's political parties upheld the sentences handed down to former president Chon Tu-hwan by the Seoul District Court yesterday.

Both the ruling and opposition parties also appraised the coup trial as having set a historical precedent in bringing the guilty to justice.

However, the opposition parties expressed their dissatisfaction with the trial, citing an alleged political connection. Particularly, the National Congress for New Politics [NCNP] is critical of the trial since it failed to bring to light the whole picture of the mass killing of Kwangju citizens during the armed crackdown on the civil uprising for democracy in May, 1980.

The ruling New Korea Party [NKP] said in its statement, "The sentences are a declaration that the usurpation of the power is subject to stern punishment. Legitimate power is now liberated for good from the threat of coups."

"The trial will also serve to abolish the corrupt ties between political power and the business circle," the NKP said in the statement issued by its spokesman Kim Chol.

The opposition National Congress for New Politics said, "The verdicts will serve as a lesson that those usurping power by force are not above the law."

"The sentences for ex-president Chon Tu-hwan and No Tae-u are a humiliation for the nation. It is one page of the miserable history of Korea," the NCNP said in its statement.

The second opposition United Liberal Democrats [ULD] said in a similar vein, "The disposition of the coup case should serve as a turning point not to repeat disruption of the constitutional order through a coup."

However, the people in the nation feel sorry to see former heads of state receive such sentences, the ULD said in the statement issued by its vice-spokesman Kim Chang-yong.

The minor opposition Democratic Party warned against any politically-motivated bid to extend leniency to the coup leaders.

However, the individual reactions of the politicians to the sentences varied by their personal backgrounds.

The Minju faction of the NKP, the party's mainstream group led by President Kim Yong-sam, said that punishment of the coup leaders is an inevitable process to correct the ill legacies of the past.

Kang Sam-chae, secretary-general of the NKP, initially expressed his regrets over the sentences for the former presidents, but added that "there can be no room for political consideration in the case," ruling out speculated "amnesty" by the incumbent administration for the ex-presidents.

However, the Minjong faction in the NKP, formerly affiliated with ex-presidents Chon Tu-hwan and No Tae-u, refused to comment about the matter.

A lawmaker of the Minjong faction who declined to be identified, cautiously touched upon alleged public sentiment "wanting pardons for the ex-presidents in the name of national reconciliation."

Rep. Kim Pok-tong of ULD, who was a military academy classmate of Chon and No and No's in-law, said "Because of my personal ties with Chon and No, above all I feel sorry for them," giving no further comment.

Another lawmaker of the conservative party indicated his personal wishes for leniency for the ex-presidents, possibly representing the sentiments of the Taegu and Kyongsang region, where the ex-presidents hail from.

Aside from the judgment by the court, the case needs to be dealt with on a "political perspective," for national unity, the lawmaker said.

Rep. Kim Kun-tae of the NCNP, a representative dissident during the regimes of Chon and No, said, "The trial should serve to put an end to military coups in this nation."

Saying that he personally feels "sorry for the coup leaders," Kim, however, manifested his opposition against a pardon for them for political purposes.

The opposition parties, on the other hand, did not fail to express their dissatisfaction with the allegedly "impure" motivation of the Kim Yong-sam administration by saying that the ruling camp used the trial as a way to

divert public attention from the presidential campaign fund reportedly handed over by No to President Kim.

"The trial was flawed from the start. The initial decision not to punish the coup leaders was overturned by the law enforcement authorities themselves with no justifiable reason," Chong Tong-yong, spokesman of NCNP, said in the statement.

The trial leaves much to be desired, in that it failed to clarify who are responsible for the killings of Kwangju citizens, Chong claimed.

The ULD also expressed regrets over the political motivation in the process of bringing the ex-presidents to trial.

ROK: Business Groups Concerned Over Sentencing's Economic Impact

SK2708021096 Seoul THE KOREA HERALD
in English 27 Aug 96 p 1, 10 — Generally
pro-government English-language daily

[FBIS Transcribed Text] Shock and concern gripped the entire business community as four of the nation's most famous industrial tycoons were sentenced to "actual" jail terms for their roles in the slush fund scandal of former President No Tae-u.

Not only the four conglomerates whose owners were given imprisonment sentence but also other business groups free from the ongoing litigation as well as major economic organizations were thrown into a state of confusion and surprise at the harsher-than-expected ruling. Most of these business officials expressed worries about the ruling's impact on the economy.

Even many bureaucrats at economic ministries did not try to conceal their concern about the adverse effect the sentencing will have on the already trouble economy saddled with a yawning trade gap, slower growth and inflation.

Hit hardest were the four business groups—Daewoo, Dong-ah Construction, Hanbo and Jinro—at which executives hurriedly met together to discuss counter measures, but to little avail.

The group executives heaved a sigh of relief over the court's decision not to immediately arrest their bosses and that they could avoid an "operational vacuum" in the group's top management. As the government will restrict the overseas travels for tycoons found guilty during the appeal suits, their business activities will be seriously limited, officials said.

Immediately at stake is whether Dong-Ah Construction Chairman Choe Won-sok will be able to attend the

ceremony marking the completion of the second phase works for Libya's waterway project this weekend. Daewoo Group Chairman Kim U-chung was also supposed to break ground for a hotel construction in Yanbian, China, soon.

In view of the absolute roles these tycoons play in their respective groups, it appears to be inevitable for the conglomerates to experience considerable business problems, particularly because of the tarnished images of these groups and their leaders abroad, business officials said.

Dominant expectations prior to the ruling among local business watchers were that all the top businessmen would be given lenient verdicts, such as suspended terms, in part because of their contributions to the economic development and because such donations to the head of state was an "ordinary practice" at the time.

Officials at the Ministry of Trade, Industry and Energy, now racking their brains to rectify the aggravating trade deficit, were particularly worried that tycoons given harshest sentencing were owners of groups leading the nation's heavy and chemical industries.

Daewoo has one of the largest auto and electronics companies among its subsidiaries, while Hanbo and Dong-Ah are major steel makers and overseas builders, respectively.

The Ministry of Finance and Economy was also concerned that the ruling will adversely affect the foreign buyers and business partners, possibly reducing their purchases from and investments into Korea.

ROK: Daily—Sentencing Attempt To Come To Terms With ROK's Past

SK2708021496 Seoul THE KOREA HERALD
in English 27 Aug 96 pp 1, 10 — Generally
pro-government English-language daily

[Article by staff reporter Yi Song-yol: "Trial Attempt To Come To Grips With History: Two Ex-Presidents Face Judgment on Dark Era in Nation's Past"]

[FBIS Transcribed Text] The verdicts and sentences were more than just punishment against specific crimes committed by Army generals 16 years ago. They were South Korea's attempt to come to terms with its militaristic past, set the history on the right footing, and establish the rule of law.

The trial of two former Presidents Chon Tu-hwan and No Tae-u was described as "the trial of the century," because for the first time the nation put two former Presidents, both retired generals, on trial to lay a

judgment on the darkest eras in the nation's most recent history and eradicate their legacies.

The court ruling well demonstrated the national determination and consensus that any coup d'etat or treason, whether it was successful or not, is subject to punishment under any circumstances.

The ruling was also a stern punishment against a reckless intervention in state affairs by military officers, a negative legacy which had been handed down from the era of the late President Pak Chong-hui, himself a retired Army general who seized power in a coup in 1961.

Chon, along with his successor No, is often blamed for having delayed South Korea's democratic reform process by more than 10 years, as the nation as a whole was expecting the end of a military authoritarian rule in 1980 with the demise of President Pak in October 1979. Chon and a handful of his cronies frustrated the whole nation, and they are being punished for that.

The death sentence against Chon means that the court saw the tough, authoritarian and defiant former general as the key mastermind behind all the tragic, illegal events in the teeth of justice which took place after the 1979 military mutiny till early 1981 when the martial law, declared upon Pak's assassination, was lifted.

The prison sentence of 22 years and six months for No, much merciful than expected, showed that the court apparently recognized No's secondary role in the mutiny, seeing he was more guilty of corruption.

The court ended a long debate on the legal nature of the arrest of the then martial law commander on Dec. 12, 1979 by Maj. Gen. Chon, backing the widespread accusation that it was an apparent "coup-like" military mutiny. The three-judge panel knew too well that Chon's group used the successful mutiny as the springboard to ascend to the presidency in 1980, in a tumultuous power vacuum created by the assassination of President Pak.

The judges also held Chon, who became President in September 1980 and succeeded by No in February 1988, responsible for the bloody suppression of a pro-democracy uprising May 18-27, 1980, in Kwangju which caused more than 200 deaths, though it was not made clear who actually gave the order to open fire at civilian protesters.

The judges agreed with most ordinary citizens when they ruled that a series of incidents masterminded by Chon and his military cronies in May 1980, such as arrest of politicians, disbandment of the National Assembly and forcing the government cabinet to approve

Chon's scenario to upgrade a martial law, apparently violated the nation's constitutional order.

The three-judge panel further advocated the legitimacy of a special law enacted in December last year to charge Chon and No, rebuffing the claim that the law was in violation of the Constitution as it was retroactive.

Chon's death sentence is subject to automatic appeal and No's defense lawyers are also expected to appeal his sentence.

Though Chon's capital punishment is upheld by the Supreme Court, execution is unlikely. A conventional wisdom here is that after a supreme court ruling, President Kim Yong-sam, the first civilian president in 32 years, will hand down a leniency on Chon and No to let them live in disgrace.

The court also gave a stern warning against business tycoons, who gave money to Chon and No while they were in office, not to try again to buy political influence in doing their businesses. The court warning was reminiscent of President Kim's earlier pledge that he would not receive even a penny from business tycoons.

The verdicts and sentences were, in a sense, a victory for President Kim, who in last November called for the enactment of a special law to expand the statue of limitations, paving the way to charge Chon, No and their cronies.

The trial, however, has left some points of the events of 1980 unclear. It has not been settled who ordered the martial law troops to fire at civilians in Kwangju; whether Chon's group coerced President Choe Kyu-ha to step down; whether Chon exercised any coercion when asking Choe's approval for his arrest of Gen. Chong Sung-hwa, then martial law commander and Army chief of staff; and whether Chon's group mapped out a scenario in early 1980 to seize power.

Such controversies will likely be dealt again in the appeal court, but will not likely affect the sentences made by the Seoul District Court.

ROK: Appellate Court Verdict on Chon Expected To Come by Year-end

SK2708024896 Seoul YONHAP in English
0238 GMT 27 Aug 96
— *Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Seoul, Aug. 27 (YONHAP) — Appellate court verdicts on the mutiny and treason case involving former Presidents Chon Tu-hwan and No Tae-u and their aides as well as the corruption case of the

two former heads of state are expected to come by the end of the year, provided the retrial moves smoothly.

An appeal trial has to be completed within four months of the sentence being handed down by the lower court.

The verdicts read to defendants involved in the Dec. 12, 1979, mutiny and the May 18, 1980, Kwangju massacre Monday, suggest that a fierce battle between the prosecutors and defense attorneys lay ahead.

The prosecutors have expressed their dissatisfaction with the verdicts, sentences lighter than they sought, and particularly by the acquittal of a defendant. It is all but certain that they will attempt to prove their guilt during the appeals process.

The defense lawyers on the other hand, though somewhat satisfied with the relatively light verdicts, are prepared to do their best to win the acquittal of all defendants in the upcoming appeal trial.

The final decision by the Supreme Court has to be made within four months of the completion of the appeal trial. If an appeal trial takes four months, the Supreme Court's verdict will come before the end of April next year. If it takes six months, the final verdicts will be made toward the end of June next year.

Attention is being focused on whether or not the business tycoons found guilty of bribing Chon and No will appeal. The tycoons who received stayed execution of prison terms are unlikely to do since they want to avoid the inconvenience of standing before the court again, observers say.

It is expected that the prosecutors assigned to the first trial will continue their work in the appeal trial, while the same heavyweight lawyers will defend their clients in the forthcoming trial.

ROK: Dong-ah, Daewoo Chairman Leave on Overseas Business Trips

SK2708060696 Seoul YONHAP in English
0554 GMT 27 Aug 96
— *Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Seoul, Aug. 27 (YONHAP) — Chairmen Choe Won-sok of the Dong-ah Group who was sentenced to 2 1/2 years in prison for bribery Monday [26 August], departed for Libya Tuesday morning to attend ceremonies to celebrate the completion of the great man-made waterway project and the African nation's revolution day on Sept. 1.

At the airport, Choe said that he received permission to go from the three-judge panel.

He went along with the Minister of Construction and Transportation Chu Kyong-sok, who is to visit Libya in his capacity as a special presidential envoy, and some Foreign Ministry officials.

Nine members of the National Assembly's Construction and Transportation Committee and 80 others are also to leave Seoul Tuesday evening for Tripoli.

The tycoon told reporters that he was worried that the result of Monday's trial will probably have an adverse effect on his business activities related to the third phase of the great man-made waterway project.

He was found by a lower court guilty of bribing former president No Tae-u while the latter was in office.

Meanwhile, Daewoo Group Chairman Kim U-chung, who received a two-year sentence for similar offenses, will depart for China's Yanbian Province to attend the opening ceremony of the Daewoo Hotel there.

Having received prior permission from authorities for his trip, Kim will fly to Poland after the ceremony in Yanbian to learn the present conditions of the auto industry there. He is slated to return to the country next weekend.

ROK: Dailies Comment on Court's Sentencing of Ex-Presidents

SK2708080896

[FBIS Report] The following is a compilation of editorials from ROK vernacular papers published on 27 August, in response to the sentences handed down on 26 August to former presidents Chon Tu-hwan and No Tae-u for masterminding the 12 December 1979 coup and the crackdown on the Kwangju civil uprising, and for accepting bribes from businesses.

TONG-A ILBO carries on page 3 a 1,000-word editorial entitled "Punishment Meted Out Against Coup D'etat and Bribery." Welcoming the court's rulings as a "corollary" of the crimes the ex-presidents committed, the editorial calculates that the court ruling "liquidated the history tainted by some politics-conscious soldiers." However, noting that the lenient sentences given to the other military generals could create a stir, the editorial stresses that "the appeals court should concentrate its efforts on digging into the truth" of the Army massacre of pro-democracy protesters in Kwangju. Blaming the former presidents for distorting the chain of command, destroying the constitutional order, and amassing illicit fortunes during their presidencies, the editorial states: "It would have been truly foolish if Chon, No, and other associates had thought that they could get away with the serious crimes they committed before the history and nation." The editorial then continues: "The recent

ruling by the district court has set a significant historic precedent, in that any coup d'etat, whether successful or not, could be subject to punishment. Even though the punishment was meted out 14 years later, the recent ruling shows that it was a trial of the century which demonstrated to the people that law and justice still exist in our country." Worrying about the ruling's impact on "an already troubled economy" because major industrial tycoons were sentenced to actual jail terms for their roles in the slush fund scandal, the editorial stresses that future trials should give consideration to corporation leaders so as to help them focus on their business activities. Noting the possibility of a presidential amnesty, the editorial maintains that the time "is not yet ripe" for discussions of amnesty and this "cannot be tolerated, because the sentences may be distorted through political bargaining."

The antiestablishment HANGYORE SINMUN carries on page 3 a 1,000-word editorial entitled "Punishment Against 'Successful Coup D'etat.'" Terming the court's ruling as a "historic verdict," the editorial comments: "The court set the precedent that a military regime that seized power by guns and swords and dominated for nearly 30 years is, in the end, subject to the judgment of the people." The editorial praises the rulings for having saved the spirit of the Kwangju civil uprising by "meting out punishment to the military." The editorial, however, expresses disappointment at the not guilty verdicts for Chong Ho-yong, whom the prosecution had charged with murder for his support of the mutiny. Welcoming the sentencing of corporation heads for bribing ex-president No Tae-u, the editorial holds: "The judicature has proved that absolute power is certain to grow corrupt, and made clear its will to disconnect the ties between political power and business circles." The editorial then denounces Chon Tu-hwan and No Tae-u for not showing any regret during the trials.

The government-run SEOUL SINMUN carries on page 3 an 800-word editorial entitled "The Judgment Was Rigid." The editorial hails the recent verdict for "setting a new milestone in righting the wrongs of past history." The editorial then states the civilian government's determination to "set history right" not only proved "its justness" by the law, but also showed to the world that "the ROK is a country governed by law." According to the daily, the greatest lesson the Korean people have learned through the recent trials is that "the illegal usurpation of power can never get a foothold on this land."

KYONGHYANG SINMUN and CHUNGANG ILBO carry 800-word editorials on pages 3 and 6 respectively under the same title "Successful Coups That Have Been Meted Out." The dailies first estimate that the

sentences carry an important symbolic significance and serve as a momentum in renewing the people's determination that the act of destroying constitutional order should never take place. Both editorials, however, deplore the fact that the trials failed to clarify who was responsible for the killings in the Kwangju incident, and speculated that controversies will arise over the court's crippled operation of the trials, which sparked the resignation of the counsels for the defense.

ROK: Editorial Criticizes Police for Riot-Quelling Methods

SK2308035396 (Internet) *The Digital Chosun Ilbo*
WWW in English 1206 GMT 22 Aug 96

[Editorial: "Problems in the Riot Police Force"]

[FBIS Transcribed Text] A critical voice is being heard at the moment exhorting the police to take some responsibility for what was perceived as excessive and overly violent measures used in their suppression of the violent demonstration conducted by the Hanchongnyon. Some thirty opposition National Assemblymen including former activist Kim Kon-tae have announced publicly that while they do not agree with the viewpoint of the Hanchongnyon they take issue with the excessive means of subjugation of the riots by the police and agreeing with them are certain opposition religious groups. Finally the National Congress for New Politics has joined in the discussion and condemned the police for entrapping the protestors at the time they were starting to disperse.

It is clear that there was a flaw in the method of demonstrator suppression invoked by the police. However, the problem is not one of excessive conduct on the part of the police it is the very reverse. It is easy to assess matters when one considers the casualty statistics that flowed from the student-police exchanges. The death that resulted was sustained not by the militant students but by the police. The casualty statistics clearly reveal that it was not the police who were employing aggressive and violent measures while attempting to uphold public authority.

In any event many weaknesses in the method of countering riots by the police have been exposed. If one is really concerned about the future of this country and not pre-possessed by finding favour amongst student activists then one ought to encourage the government to pursue a means of remedying the flaws in police resistance.

First, something must be done about the lack of intelligence available to the police. In a situation where police preempted that they intended to completely disable the protests from the very beginning, they nevertheless found themselves dumbstruck having completely failed

to predict the movement and reaction of the students in defiance of these instructions when some 10,000 students went ahead and massed at Yonsei University.

Second, there is no consistency in police counter-measures and no apparent strategy of deployment. There were no tactics to counter the students who went to streets and then engaged in a long-term lock-in strike and no plan to deal with the situation where riot police found themselves taken hostage and subjected to great and shameful brutality and subjugation. The fact that some 2,000 of the students who were involved in the lock-in including riot leaders were able to break through the police barricade and escape is indicative also of a lack of planning and strategem.

Third, the police equipment used to quell the riots was insufficient. While demonstrators were aggressively launching weapons of death at the police including molotov cocktails and steel pipes, the police did nothing other than retaliate with pepper gas.

Moreover, there is a serious lack of will and desire by the police. We cannot afford to let the police stagnate as they are. We need to herald in an epochal change to revive the police force.

ROK: Editorial Chides Hypocritical Logic of Student Activists

SK2308005696 (Internet) *The Digital Chosun Ilbo*
WWW in English 1206 GMT 22 Aug 96

[Editorial: "Hypocritical Theories" (Continued)]

[FBIS Transcribed Text] As soon as the suppression of the so-called pro-Kim Il-song ideologists who fought under the banner of "anti-struggle Yonsei University" was brought about the intolerable sophistry of certain members of society armed with hypocritical logic again raised its ugly head.

The first typical contradiction is the assertion that it is not plausible to smother the freedom of thought in a free liberal democracy. What one can say for certain is that these elements should not be permitted to join the ranks of those who have mutually resolved not to violently destroy the fundamental framework of pluralism that goes with our liberal democratic system as they are the very ones that will bring down in entirety the system itself. Therefore, the voice which urges the acceptance in the name of democracy of those North followers who are engaged in destroying our liberal democracy, pluralism and the "American colony", the Republic of Korea, emanates from hypocrites among hypocrites.

Certain theorists attribute the recent situation to the monopolization by the government of interchange and

discourse channels between the South and the North and a failure on its part to permit the private sector to engage in meaningful discussion. However, the reality is that prolific exchange is occurring between private sector elements and the North and the only people to be actively precluded from engaging in discourse are those that actively work towards assisting the Unification Front Stratagem of the North. On the contrary it is a concern that there is has been an over-stimulation of interchange with the North. For the sake of the survival of our future generations, we must not under any circumstances ignore the pro-North unification theories and allow them to propagate freely.

The reference to the government monopolizing the pipeline to the North is also misunderstood. The more two-way private dialogue the better however in the process of pursuing such one must have a concern for safety and it therefore inevitable that the government has resolved to singularize the interchange conduit to the North. If the government should stand aside and fail to take such unifying measures and permit anti-Republic of Korea group events to take place then this will not bring about liberation rather it will herald systemic collapse of our democracy.

Some say too that we should not force the students up against the wall so that they become pro-communist in their tendencies. However, if the pro-Kim Il-song ideologists who set up a mourning place to commemorate the death of the Dear Leader and even distribute questions amongst their members about the theory of self-reliance and assess them and further claim that their "people liberation forces" are actually the progeny of former war partisan groups and that the Korean war was war of fatherland liberation, are not left-wing in their tendencies then what on earth are they? [sentence as received] Are they right-wing extremists?

Some theorise that the government should have sought a peaceful solution to the demonstration rather than using forceful means of suppression. However it would not be fitting to the country or the government for authorities to seek to barter with or come up with a peaceful solution to an incident where violent groups were caught red-handed in breach of the law. Then there are others who hypothesize that the incident resulted from problems within our society. Of course the absolute majority understands that the problems in our society are more numerous than the stars in the sky yet they do not resort to the manifesto of self-reliance or wield steel pipes and throw molotov cocktails to solve these problems. We are exhorted not to call the student body the enemy but it is the very students who refer to the police as the enemy. Although the people may be silent, they are not to be deceived by the guile and cunning of hypocrites.

ROK: Government, Party Officials Discuss Boosting Taegu Economy

SK2308024696 Seoul THE KOREA HERALD in English 23 Aug 96

p 2 — Generally pro-government English-language daily

[FBIS Transcribed Text] The government and the ruling party are planning to establish an industrial complex near Taegu and launch projects in surrounding North Kyongsang Province.

But they decided to carry out the plan only after improving the water quality of the Naktong River running through the Kyongsang region.

To prevent the river from being contaminated by industrial waste, the government and the party are also planning to install several water treatment systems along the river.

Ranking administration and party officials decided to launch those projects when they met yesterday morning to discuss boosting the economy in Taegu and the province.

Those who participated in the meeting included Construction and Transportation Minister Chu Kyong-sok, Environment Minister Chong Chong-taek, and Rep. Yi Sang-tok, the party's chief policymaker.

The proposed Wichon industrial complex has been an issue of contention between Taegu-area residents and those of the southeastern part of the Kyongsang region.

Voters from Taegu and North Kyongsang Province have demanded that the government set up the industrial complex to reinvigorate their sagging economy.

But Pusan and its surrounding South Kyongsang Province have opposed it claiming that it would contaminate the Naktong River, the source of their piped water.

To install seven waste water treatment systems along the river, a party official said the ruling party would have at least 100 billion won earmarked in the nation's budget plan for next year.

In addition, the government and the party are also planning to pour 30.8 billion won into infrastructure development in the Taegu region.

The money would break down to 16.1 billion won for upgrading the Taegu Airport to an international airport, 4.7 billion won for the expansion of the highway linking Taegu and Kumi and 10 billion won for the extension of subway lines in Taegu.

The official also said party Chairman Yi Hong-ku will announce the projects when he attends rallies to reorganize his party's local chapters in the city today.

But the ruling party's plans invited immediate accusations from the main opposition National Congress for New Politics.

In a statement, the opposition party charged that the ruling party is attempting to draw voter support from Taegu and North Kyongsang Province ahead of next year's presidential election.

"We express deep concerns that the ruling party is trying to appeal to local residents by promising pork-barrel projects," the statement said.

The ruling party is seeking to ease voter sentiment in Taegu, in particular.

Apparently displeased with President Kim's drive to discredit his immediate predecessors—Chon Tu-hwan and No ta-e-u—many Taegu voters turned their backs on the ruling party in the April general elections.

Chon and No, arrested on mutiny, insurrection and other charges last year, are from Taegu and North Kyongsang Province, or the TK region.

The ruling party suffered an electoral setback when it won only two of the 13 parliamentary seats at stake in Taegu in the National Assembly elections.

The second largest opposition party, the United Liberal Democrats, made a strong showing in the city thanks to its merger with a small opposition party mainly consisting of politicians representing the TK region last year.

ROK: Government To Release \$702 Million for Flood Relief

SK2408113296 Seoul YONHAP in English
1120 GMT 24 Aug 96
— Semiofficial news agency of the ROK

[FBIS Transcribed Text] Seoul, Aug. 24 (YONHAP) — The government has decided to release 574.5 billion won (702 million U.S. dollars) out of the treasury to support the rehabilitation of the damage wrought by the flash floods [as received] that hit northern Kyonggi and northwestern Kangwon Provinces last month. In addition, 11 billion won (13.4 million dollars) will be issued to flood victims in special consolation money.

The decision was reached at a joint session of the administration and the ruling New Korea Party [NKP] Saturday, which was attended by NKP chief policymaker Rep. Yi Sang-tok, party advisor Rep. Yi Han-tong hail-

ing from the affected area, and Home Minister Kim U-sok.

"Given the horrendous damage, we've decided to extend maximum possible assistance permissible by the law and budget," said Rep. Son Hak-kyu, chief, the Policy and Coordination Committee no. 1.

The meeting also decided to extend the flood victim relief period from the previous one to three months to two to six months.

To be issued out of a total 28.1 billion won in relief fund for flood sufferers, special consolation money will be distributed at the rate of 10 million won per head for the dead or missing (29 persons) and 5 million won per head for the injured (4).

Three million won each will be given to 1,002 households whose houses were completely destroyed, 1.5 million won each to 1,579 households whose houses were half-destroyed, 700,000 won each to 6,991 households whose houses were totally inundated, and 400,000 won each to 4,809 households whose houses were partially inundated.

ROK: LG Construction To Expand Aramco's Gas Refining Facility

SK2308032296 Seoul THE KOREA TIMES in English
23 Aug 96 p 8 — Daily English-language newspaper published by HANGUK ILBO

[FBIS Transcribed Text] LG Construction Co. won a \$171 million contract to expand a gas refining facility for Aramco, the largest oil company in Saudi Arabia, jointly with Technip, a French oil engineering firm.

The company, in announcing the deal Thursday, said the project involves expanding the gas refining facility at the Abqaiq oil and gas refining plant some 400 kilometers from Riyadh; Technip is slated to take care of designing, and the supply of major equipment, and LG Construction will be involved in the actual expansion work, and supply of material.

LG's share in the project will amount to some \$55 million, which is to be completed by the end of 1998, with work to start next month.

ROK: KEDO Names Hanhwa Energy Co. as Diesel Oil Supplier

SK2308032096 Seoul THE KOREA TIMES in English
23 Aug 96 p 8 — Daily English-language newspaper published by HANGUK ILBO

[FBIS Transcribed Text] Hanwha Energy Co. has been selected as the supplier of diesel oil to North Korea in the bidding for the eighth shipment initiated by the

Korea Energy Development Organization (KEDO), the company said yesterday.

Hanwha will load 20,000 tons of diesel oil in a China-registered vessel at its pier of Incheon Port which is scheduled to depart for Sonbong today, an official said.

Under the agreement between North Korea and the United States on supply of oil to the North for its scrapping of nuclear facilities producing plutonium which is material for weapons, 100,000 tons of oil were sent to the North last year and 300,000 tons are to be shipped this year.

KEDO is to supply 500,000 tons of oil for thermal power plants every year from next year through 2003, when the nuclear power plants will be completed in the North.

ROK: Government Allows Korea Europe Fund To Increase Capital

SK2308080296 Seoul YONHAP in English
0644 GMT 23 Aug 96

— *Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Seoul, Aug. 23 (YONHAP) — In a bid to introduce stable and long-term foreign investment into the nation, the government will allow the Korea Europe Fund [KEF] to increase its capital by 80 million U.S. dollars in October, the Finance and Economy Ministry announced Friday.

The KEF was set up in March 1987 with a initial capital of 30 million dollars, and in June 1994, its capital was increased for third time to 360 million dollars.

The ministry also said that per capita foreign investment ceilings for stock investment by country funds will be raised from 5 percent to 7 percent for the Korea fund, from 4 percent to 7 percent for the KEF and from 4 percent to 7 percent for the Korea-Asia fund, the ministry added.

ROK Finance Ministry Decides To Freeze Public Utility Costs

SK2308033696 Seoul THE KOREA HERALD
in English 23 Aug 96

p 8 — *Generally pro-government English-language daily*

[FBIS Transcribed Text] The government will this year freeze public utility charges—including postal charges and railroad fares—in principal in an attempt to curb inflationary pressure, Deputy Prime Minister and Minister of Finance and Economy Han Sung-su said yesterday.

At the same time, the government will seek various policy tools to speed up the development of future-oriented

industries, such as information and telecommunications and intellectual businesses, he said.

Meeting with economy-related ministers and business leaders at the Korea Chamber of Commerce and Industry (KCCI) building in Seoul, Han said that the government will make an all-out effort to increase national savings and curb its expenditures.

The top economic policymaker pointed out that the Korean economy is now facing serious difficulties, including worsening trade conditions, the weakening competitiveness of Korean products stemming from structural problems, and rising market interest rates.

For instance, he continued, the overall trade conditions of Korean products deteriorated 10.3 percent in June 1996 on average, compared with that of the same month last year, mainly because of the significant fall in export unit prices.

Export prices of semiconductors, one of the nation's major export items, plummeted from about \$50 per 16 mega D-RAM in June 1995 to a mere \$12 this month, and those of hot rolled coils plunged from \$454 per ton to \$332 during the corresponding period.

It was the biggest drop since the trade terms worsened 13.3 percent in the 1979-1980 period, when the nation suffered bitterly from the second world oil shock, said Han.

He also cited the "five highs"—high wages, high inflation, high interest rates, high logistics expenses and high land prices—a main culprit of the weakening competitive power of the Korean economy.

The government's excessive regulations on business activities and low productivity in the public sector also worked together negatively to the Korean economy, he said.

For an effective structural adjustment of the Korean economy, accordingly, the government will make a strong push for the stabilization of workers' wages and market interest rates and the expansion of investments in the social infrastructure projects this year, he said.

Minister of Trade, Industry and Energy Pak Chae-yun, Minister of Labor Affairs Chin Nyom and heads of the nation's five major business organizations, including the KCCI, were among the participants at the meeting.

ROK: Domestic Textile Industry Unlikely To Show Profit in 1996

SK2408032296 Seoul THE KOREA ECONOMIC
WEEKLY in English 26 Aug 96 p 11 — *Economic*

*newspaper published by the HANGUK KYONGJE
SINMUN*

[FBIS Transcribed Text] This year the domestic textile industry seems to see sales rising more or less, instigated by quality enhancement. But seriously, the sales increase will unlikely be conducive to overall improvement in the industry's profitability since the industry will be affected by sluggish exports and manpower shortcomings.

This was revealed at a textile industry monitoring report released by the Korea Federation of Textile Industries (KOFOTI). The textile industry representative body surveyed 264 companies for the results.

According to the report, the textile industry is expected to post an increase of 18.6 percent in sales this year. Especially, domestic sales will keep bullish with 20.3 percent growth, up from last year's 10.8 percent growth.

Despite the anticipation on sales increase, exports will not make a great contribution. Export profitability is forecast to deteriorate due to declines in export unit

price and margins by 2.1 percent and 2.5 percent, respectively. About 32 percent of the polled companies also worried that inert exports will sure result in acute fund shortages, KOFOTI said.

On a separate development, problematic shortages of manpower in the industry are proven by the figures of shortage ratios of 15.2 percent in functional production labor and 16.7 percent in technical production staff.

To ease the problem, the domestic industry prefers foreign workers. Among the respondees, 64 percent or 170 companies said they were hiring foreign workers and their average wage was 480,000 won a month, a mere 68 percent a domestic employee's wage.

Textile companies will also limit facility investment this year. The surveyed companies planned increases of domestic and overseas facility investment at 7.5 percent and 6.5 percent. But the figures were down from last year's 8.2 percent and 7.7 percent expansion, KOFOTI said.

Burma

Burma: Formal ASEAN Full Member Application Submitted

BK2408102596 Bangkok BANGKOK POST in English 24 Aug 96 p 1

[Report by Nutsara Sawatsawang and Phanrawi Tan-suphaphon]

[FBIS Transcribed Text] Burma has formally applied to become a full member of the Association of Southeast Asian Nations (ASEAN), the Foreign Ministry's deputy spokesman said yesterday.

Thinnakon Kanasut said Burma submitted its application in writing during the August 12-16 visit to Malaysia of Gen. Than Shwe, the Burmese prime minister and chairman of the ruling State Law and Order Restoration Council (SLORC).

Burma was granted observer status to ASEAN only last month amid strong criticism from the United States and some European countries on grounds of Rangoon's failure to transfer power to elected representatives and its poor human rights record.

Indonesia presided over Burma's inauguration as ASEAN observer at the 29th meeting of ASEAN foreign ministers.

Burmese Foreign Minister Ohn Gyaw, who accompanied the SLORC chairman to Kuala Lumpur, submitted the letter of application to his Malaysian counterpart Abdullah Ahmad Badawi, Mr. Thinnakon said.

The Malaysian foreign minister subsequently informed his ASEAN colleagues — including Foreign Minister Annuar Wirawan — of the Burmese application.

But the Malaysian foreign minister's circular made no mention of any timeframe which is a matter for ASEAN as a whole to decide, Mr. Thinnakon noted.

Burma's application will be discussed by senior officials or ASEAN at the ASEAN Standing Committee meeting in Kuala Lumpur in October, he added.

In terms of human resources and basic legal structures laid down during the British colonial period Burma, according to one Asian source, seems more ready than Laos and Cambodia.

Malaysian Prime Minister Mahathir Mohamed last week was quoted as saying that he would like Burma to become a full member of ASEAN next year, which coincides with the grouping's 30th anniversary.

Laos and Cambodia which were accepted in March and April this year, formally applied to become full-fledged members in 1997.

ASEAN has formally declared that it wants Burma, Cambodia and Laos to integrate into a community of 10 Southeast Asian nations by the year 2000.

Burma: Student League Condemns Handing Over of Defectors to SLORC

BK2508164196 (Internet) BurmaNet News in English 23 Aug 96

[Statement issued at the Second General Conference of the All Burma Students League in New Delhi on 22 August]

[FBIS Transcribed Text] The second General Conference of the All Burma Students League (ABSL) is being held with progress in its Headquarters. On the night of 20th August, the BBC (Burmese Section) announced that six Burmese soldiers, who defected from the Burmese Army and had sought asylum from the Government of India through the National Coalition Government of the Union of Burma (NCGUB) in July, were handed over to the SLORC [State Law and Order Restoration Council] authorities.

The Conference expresses its shock and sadness on this unfateful incident. The delegates of the Conference assume that it is a great loss in the history of the democratic struggle of the people of Burma.

The Government of India had officially made assurance that it will not deport Burmese asylum-seekers back to Burma without their consent. Therefore, we feel that this action taken by the Government of India is contrary to its promises as well as norms and ways of the democratic principles.

Moreover, this unfateful incident did jeopardise the progress of the democratic movement of Burma and made lost of the interest of the oppressed people of Burma.

We strongly condemn the organization or individuals directly involved in this incident. It is crystal clear that these six young defectors were fallen in the trap of the SLORC because of some factionalists and a group of self-motivated people. They must take the responsibility and consequences of this incident.

Burma: Khin Nyunt Hold Talks With Pa-o Leader, Party

BK2308145596 Rangoon Radio Myanmar in Burmese 1330 GMT 23 Aug 96

[FBIS Translated Text] Lieutenant General Khin Nyunt, chairman of the Work Committee for the Development of Border Areas and National Races and secretary-1 of the State Law and Order Restoration Council, received

U Aung Kham Ti, a Pa-o national leader from Special Region-6 in Southern Shan State, and his delegates — U Khun San Lwin and U Khun Myint Aung — at the Defense Services Guest House on Inya Road in Yangon [Rangoon] at 1600 today.

At the meeting, they held discussions and coordinated on matters concerning the improvement of communications and transportation, education, health, agriculture, and regional development programs.

Burma: Khin Nyunt Meets Mahtu Naw, Kachin Leaders

BK2408145896 *Rangoon Radio Myanmar in Burmese*
1330 GMT 24 Aug 96

[FBIS Translated Text] Lieutenant General Khin Nyunt, chairman of the Work Committee for the Development of Border Areas and National Races and secretary-1 of the State Law and Order Restoration Council [SLORC], received Kachin national leader U Mahtu Naw and delegation members U Tu Maung and U Tin Lat from Shan State Special Region-5 at the Defense Services Guest House on Inya Road in Yangon [Rangoon] at 1600 today.

Also present were Information Minister Major General Aye Kyaw; U Aung Thauang, minister of livestock breeding and fisheries; Deputy Health Minister Colonel Than Zin; Deputy Education Minister Col. Kyi Maung; U Kyaw Tin, deputy minister of progress of border areas and national races and development affairs; U Myint Thein, deputy minister of mines; Deputy Energy Minister U Tin Tun; Lieutenant Colonel Pe Nyein, director general of SLORC office; departmental officials, and responsible personnel.

At the meeting discussions were held on education, health, agriculture, livestock breeding, transportation, regional development, mining, and energy matters.

Burma: Khin Nyunt Warns Red Cross Trainees of Destructionists

BK2408162096 *Rangoon Radio Myanmar in Burmese*
1330 GMT 24 Aug 96

[FBIS Translated Excerpt] Lieutenant General Khin Nyunt, chairman of the National Health Committee and secretary-1 of the State Law and Order Restoration Council [SLORC], attended and delivered an address at the closing ceremony of the Special Refresher Training Course No.2 for Myanmar [Burma] Red Cross executives. The ceremony was held at the Central Institute of Civil Services in Hlegu Township at 0830 today. [passage omitted on attendees]

Lt. Gen. Khin Nyunt noted that the SLORC has been building firm foundations to establish a new, peaceful, modern, and developed nation. [passage omitted explaining social objectives]

However, destructionists, who have pessimistic views of all the government's endeavors, are trying to destroy the unity between the government and the people and are trying to divide and weaken social associations. There are also unscrupulous attempts, which rely on external forces, to divide and cripple the cooperation between the government and the people. Moreover, it is evident that these fabrications are meant to degrade and diminish some social organizations. [passage omitted on pro-SLORC rallies]

Khin Nyunt remarked that it is good for the country to know that all social organizations including the Red Cross, after clearly understanding the government's goodwill, have pledged to participate and cooperate in its constructive endeavors. He hoped that the Myanmar Red Cross, under the patronage of the government, will be able to work more for peace and tranquility, city development, and in other national projects. Khin Nyunt urged Red Cross trainees to encourage the development of worthy youths, and not to let them be used by destructive elements, and to take an active role in Red Cross activities.

Finally, he urged the trainees to fulfill their national duties by implementing the political, economic, and social objectives; to participate in the establishment of a new, peaceful, modern, and developed nation; to oppose the dangers of destructive elements and build a new nation with the social work of the Red Cross, and to organize Red Cross groups at all levels to participate in the activities of the Union Solidarity and Development Association.

Burma: Paper Summarizes Drug Seizures From 18 Sep 1988

BK2708061196 *Rangoon THE NEW LIGHT OF MYANMAR in English* 9 Aug 96 p 12

[Unattributed Report]

[FBIS Transcribed Text] Yangon [Rangoon], 8 Aug — Tatmadawmen [Defense Services personnel], policemen, and customs officials seized the following during nearly eight years from 18 September 1988 [the day the State Law and Order Restoration Council took over power] to 31 March 1996.

The seizures included 13,969.258 kilos of raw opium, 126.2 kilos of opium base, 1,879.915 kilos of heroin, 58.15 kilos of opium oil, 91.66 kilos and 215 gallons of liquid opium, 5,754.387 kilos of marijuana, 30,236.024

litres of phensedyl, 220.6 kilos of opium powder, 446.47 litres of cough syrup, 4,698.64 gallons of acetic anhydride, and 1,721.8 kilos and 115 gallons of other chemicals.

Namhkam

Defence Services Intelligence [DSI] agents and Myanmar Police Force [MPF] personnel — narcotics division, seized 15.5 gallons of acetic anhydride, used in refining heroin, and 30 — five gallon — empty acid containers from a Toyota Hilux Bhagon/1698 [car registration number] near Hsehai Village in Namhkam Township on 28 July. They arrested three persons — Win Myint alias Ar Myint, Yan Si Chauk and Khwe Win Chan.

Muse

Examination of them led to seizures of five 100-dollar notes, six one-dollar notes, one Van — Nange/5689 —, one .38 pistol and 35 rounds at the house of Law Lu alias Saw An Chan in Zay Ward, Muse on the same day.

They searched the house of Win Myint alias Ar Myint in Kaunghmulwe Village in Muse Township and seized 15 — five-gallon — empty acid containers, 99 one-hundred HK dollar notes, four 50-HK dollar notes, three one-hundred-baht notes and three 20-baht notes, a gold chain with a round jade pendant weighing 2 and 1/4 ticals [Burmese measure; 1 tical = 16.5 gm], one Mogok sapphire, one gold ring weighing 9/16 tical, one Rolex watch, one ring with a synthetic diamond, five gold bars weighing 2.9225 kilos, one viss [1 viss = 100 ticals] 78 ticals of gold, a 15-gram gold chain, a ring weighing 13.5 grams and 360 100-yuan notes.

After searching Law Lu's godown in Manpein Village, Muse, they found in it 15.5 gallons of hydrochloric acid, 103.74 gallons of lysol, 150 kilos of sodium carbonate powder and a car.

After examining Wai Win Chan of Hay Moe Lon Village, a Tatmadaw column led by the commander of 45th Infantry Regiment, DSI agents, policemen and local authorities raided a heroin refinery in Kutkai Township on 1 August 1996.

They seized three huts where heroin was refined, 900 gallons of acetic anhydride, 24 gallons of chloroform, 180 gallons of kerosene, 81 empty barrels, 66 — five-gallon — empty plastic containers, 15 — three-gallon — empty plastic containers, one ten feet by eight feet hut, one 25 feet by 15 feet hut, one 70 feet by 20 feet kitchen where heroin was refined, one mule shed, 36 kerosene stoves, four bags of sodium carbonate, five mules, 36 big pans and 36 small pans for lab, 36 bowls,

44 three-foot, one-inch-girth glass tubes, 10 two-foot glass tubes, and 50 glass retorts.

They also seized 30 — five-gallon — containers supposed to contain acetic anhydride totalling 150 gallons, near the refinery on 3 August.

In the period from 28 July to 3 August 1996, MPF members and departmental officials led by Tatmadaw columns seized 365.5 gallons of acetic anhydride, 15.5 gallons of hydrochloric acid, 103.74 gallons of lysol, 150 kilos of sodium carbonate — white, four Penang bags [plastic bags], 24 gallons of chloroform and huts and paraphernalia.

Effective action will be taken against them.

Brunei, Malaysia & Singapore

Malaysia

Malaysia: U.S. Call for Liberalization of IT Industries Criticized

BK2608144096 *Kuala Lumpur Voice of Malaysia*
in English 0810 GMT 24 Aug 96

[Station commentary]

[FBIS Transcribed Text] It cannot be denied that the information explosion has been taking place the world over for some years now, and it has been further accelerated with the advent of modern technology. With even some of the less-developed countries having information system—computers and mobile phones with satellite link—information technology, or IT, is indeed the industry of the future.

It is not surprising, therefore, that the United States—often described as the world's only superpower—recognizes the strategic importance of this industry and is moving fast to dominate it before too many players get on board and act independently. Washington is now pushing for worldwide liberalization of the IT business. In all other instances concerning the United States attitude toward international trade, liberalization in this case also means playing with the rules set by Washington.

During this week's meeting of senior officials of the Asia-Pacific Economic Cooperation, or APEC, forum in the Philippines, the Asian delegates said the United States proposal to complete removal of tariffs by the year 2000 on computer-related and high-technology products is [words indistinct]. It goes against the grain of the agreements reached by leaders of the member countries during the APEC summit in Osaka last year. They decided to free up trade and investment in

the region on the basis of two target dates. The industrialized nations are to achieve this by the year 2010, while the developing countries are (?given) up to the year 2020.

But in this case, regarding IT and hi-tech industries, Washington is pressing for a deadline that is 20 years ahead for developing countries, which make up the vast majority of the APEC members.

It is [word indistinct], therefore, why the United States' proposal is facing so much opposition from the Asian countries. One delegate was quoted as saying that they do not even agree on the nomenclature. Washington proposal is for an information technology agreement that covers everything from software to semiconductors.

Japan and the Association of Southeast Asian Nations, ASEAN, feel that they will create a precedent for liberalization of their market ahead of the schedule that has been agreed upon. The trouble is that the United States is demanding (?reciprocity)—which means a level playing field—before the other teams have even begun training and selecting their players. It brings back memories of the Olympic Games in Atlanta, where the U.S. basketball team, made up of the world's top professional players, was assured of the gold medal even before the first game had been played, simply because no other team can ever match their level of play. Why does Washington act in such a manner?

The reason is simple. Many of the developing countries are dependent on their [words indistinct] and economic assistance from the United States for the growth of their economy. This makes it convenient for Washington to resort to arms twisting to impose its views on these helpless countries, which is why one U.S. official expressed surprise over the reception of Asian countries to Washington's proposal for the IT agreement, and he has the cheek to (?surmise) that their reluctance was because Asian countries have a lack of understanding of the products covered by the proposed IT agreement.

Several Asian countries are finding themselves in the spot of having to face some sort of retribution should they spurn the American proposal. It is because of this predicament that APEC has decided against trying to reach a consensus on such an agreement. It will be left to the ministers of the [word indistinct] countries to state their stand on the draft agreement at the meeting of the World Trade Organization, WTO, to be held in Singapore in December. It looks like the law of the jungle, where might is strength, will rule the world.

Malaysia: Mahathir Leaves for Beijing on Four-Day Visit

BK2408112496 Kuala Lumpur Voice of Malaysia in English 0800 GMT 24 Aug 96

[FBIS Transcribed Text] Prime Minister Datuk Sri Dr. Mahathir Mohamed left Kuala Lumpur this morning for Beijing for a four-day visit. He is scheduled to deliver a keynote address entitled "The Dawn of Asian Century — a Malaysian Perspective" at the Beijing dialogue on Malaysia-China partnership on Monday.

Dr. Mahathir was accompanied by a delegation which included Primary Industries Minister Datuk Sri Dr. Lim Keng Yaik and Penang Chief Minister Tan Sri Dr. Koh Tsu Koon. The two-day dialogue is organized by the Asian Strategy and Leadership Institute.

Malaysia: Mahathir Urges Closer Ties To Protect Interests

BK2708085996 Kuala Lumpur THE STAR in English 27 Aug 96

[Unattributed report — received via Internet]

[FBIS Transcribed Text] Beijing — Datuk Sri Dr. Mahathir Mohamed said yesterday Malaysia and China must co-operate closely to prevent attempts by outside forces to control their destinies.

The Prime Minister said although direct colonisation of countries was no longer fashionable, there were still attempts to control developing countries through various pressures.

He said as developing countries, Malaysia and China needed to forge closer friendship and co-operation to protect their interests.

"It is important for us to keep close to each other to defend our independence against attempts to control us," he said in his opening remarks before holding bilateral talks with Chinese Premier Li Peng in the Fujian Hall, Great Hall of the People, here.

In the afternoon, Dr. Mahathir held discussions with President Jiang Zemin at the Great Hall of the People.

Dr. Mahathir, who last met Li during the Europe-Asia meeting in Bangkok last year, said bilateral relations had been extremely good because both countries could see eye-to-eye on many international issues.

He said problems, if any, could be resolved through consultations.

Li said China and Malaysia had many things in common as both pursued long-term peaceful policies and domestic stability.

He said China had formulated a five-year plan on national economic and social development with the long-term objective of turning China into a modern nation.

At a press conference later, Dr. Mahathir spoke of an attempt to spread the fear of an impending Asian century to frustrate Asian countries' attempts to develop.

He said this fear seemed to focus on the possibility that Asia might dominate the world in the next century, particularly its threat on Europe and the U.S.

He said China, with its 1.2 billion population, had been singled out with the talk that if it were to become rich as the developed nations, "the Chinese will absorb all the food, fuel, atmosphere and there will be nothing left for the others."

"Such horror stories should not be bandied around. We believe that when countries become prosperous, it will benefit others too," he said.

Elaborating on his keynote address, Dr. Mahathir said Asian countries were even labelled as racists just because they talked about Asia when the European Union, NAFTA and the like were being discussed freely.

Malaysia: Minister Praises Success of Manila-MNLF Peace Talks

BK2608060996 Kuala Lumpur BERITA HARIAN in Malay 26 Aug 96

[Unattributed report — received via Internet]

[FBIS Translated Text] Kuala Lumpur, Sunday — Malaysia has congratulated those involved in successful peace talks between the Philippine Government and the Moro National Liberation Front [MNLF].

Foreign Minister Datuk Abdullah Ahmad Badawi said Malaysia strongly supported President Fidel Ramos and his people in their efforts to achieve peace and prosperity in the southern Philippines.

According to him, the successful talks have reflected the Filipino people's strong support for their president's persistent efforts to settle the conflict that has dragged on for almost three decades.

"Malaysia hopes security and opportunities to develop Mindanao will contribute to peace and stability in this region.

"An agreement on the establishment of the Southern Philippine Council for Peace and Development [SPCPD] that will supervise development programs in 14 southern Philippine provinces should be supported

because it will lay the basis for achieving prosperity in that territory," he said.

He was speaking to reporters after inaugurating the annual session of the Malaysian Veterans Association of the Federal Territory here today.

Last Monday, Ramos and MNLF leader Nur Misuari agreed that the Mindanao peace agreement would be signed at the Malacanang Palace on 2 September.

The agreement on the establishment of the SPCPD will give political concession to Misuari in exchange for ending the 25-year Moro rebellion in the southern Philippines.

Abdullah praised the Indonesian Government and members of an Organization of the Islamic Conference committee, including OIC Secretary General Dr. Hamid al-Gabid, for their assistance in the talks.

Abdullah, who is the patron of the Malaysian Veterans Association, said in his speech that it was time for the association to stop asking for donations and to concentrate instead on programs that would bring about greater benefit.

Also present were Lieutenant Colonel (Retired) Osman Kasap and Senator Datuk Zainol Abidin Johari, respectively chairman and president of the Malaysian Veterans Association.

Malaysia: National Front Wins 19 Seats in Sarawak on Nomination Day

BK2708100796 Kuala Lumpur Voice of Malaysia in English 0800 GMT 27 Aug 96

[FBIS Transcribed Text] Chief Minister Tan Sri Haji Abdul Taib Mahmud says the National Front [Barisan Nasional or BN] has won 19 seats uncontested when nominations for the seventh Sarawak state election closed today.

Tan Sri Haji Abdul Taib won the Asajaya seat. Other seats won by BN includes: Pelagus, Dudong, (?Katibas), Limbang, Lawas, Ba'Kelalan, Tarat, Layar, Kalaka, and Belawai.

Details of the other constituencies are still not available at present.

Singapore

Singapore: Goh 'Cautious Yet Optimistic' About Economic Recovery

BK2708063396 Singapore BUSINESS TIMES
in English 26 Aug 96

[Report by Michelle Low — received via Internet]

[FBIS Transcribed Text] Prime Minister [PM] Goh Chok Tong yesterday said he was "cautious yet optimistic" about how long the economic downturn would last.

He noted that the downturn was felt in the electronics sector, which could then have some influence on other areas such as finance and aviation.

"It's difficult to say how long it will last. The downturn has come very suddenly and more sharply than people expected." Recovery could take "three months, six months, that's possible."

"But I'm optimistic that things will turn out for the better because our basics are right," said Mr. Goh.

His worry, he said, was the retail sector, where recovery could take longer.

Singaporeans were spending more overseas because of the strong dollar. And in Singapore itself, the retail outlets were spread all over the island.

"So you would therefore expect some shaking-out and further restructuring in the retail sector."

PM Goh was answering questions at a briefing after yesterday's Singapore Family Fitness Festival at Marina South.

On the much-talked-about possibility of re-merger with Malaysia, Mr. Goh reiterated that it was not on his agenda. "Please don't get us wrong that we are discussing re-merger. We are not."

"What I want to do is to build on the independence of Singapore, to have a stronger independent Singapore, one that can be, in terms of performance, better than the Malaysians. Obviously, I expect the Malaysians to do better in the future. We'll compete, we'll cooperate."

"I would myself want to forge very close cooperation with Malaysia. It's to our advantage to do so and I think it would also benefit the Malaysians. We will remain separate but cooperate very, very closely, and help each other to become developed economies."

Turning to the newly announced Community Development Councils (CDCs), Mr. Goh said this was a concept to be slowly evolved, starting with a pilot scheme after the elections.

Last week, he proposed a new system of grassroots governance by CDCs, meant to strengthen the "social glue" and foster "community bonding." Singapore will be sliced into 10-15 CDCs, which will manage public assistance programs such as Edusave and Medifund. Each CDC will get an annual government grant based on the number of residents in the area, set at \$1 per person.

Several people have already expressed reservations about such a system. Opposition commentators, for instance, say it is a ploy to retain the PAP [People's Action Party] as the ruling party.

Asked to comment on such observations, Mr. Goh said: "The opposition likes to get the people to believe that whatever we do is tied to elections. We are not that short term in our thinking. Our thinking is much more longer term. And the longer-term question is how do we get people to gel as a people."

Singapore: Goh Says Community Councils Way To Ensure Cohesion

BK2608061796 Singapore THE STRAITS TIMES
in English 26 Aug 96

[Report by Chua Lee Hoong — received via Internet]

[FBIS Transcribed Text] The setting up of Community Development Councils (CDC) is a long-term investment to ensure social cohesion for the future, and not a short-term electoral ploy, Prime Minister Goh Chok Tong said yesterday.

"I want to invest in the future, I want to invest in the people. I don't worry where you come from, you may come from an opposition ward but my concern is to bond you together as one people," he said.

He was explaining the rationale behind his CDC proposal, first mentioned in his National Day Rally address, for greater community bonding.

He had suggested dividing Singapore up into 10 to 15 geographical communities, each headed by a CDC that would take care of the social welfare needs of its people.

A statement from the People's Association (PA) yesterday said that each CDC would have up to 35 members, at least half of whom must be residents.

The CDCs would receive government grants based on their population size, at the rate of \$1 per resident.

The statement gave no precise details on their geographical boundaries, but said CDCs "may also cover" opposition wards.

Only a few CDCs would be set up in the pilot phase, although they would be extended to the whole island eventually.

The proposal has drawn criticisms from both opposition Potong Pasir MP Chiam See Tong and the National Solidarity Party as an electoral ploy to entrench People's Action Party control.

Speaking to reporters after launching the Singapore Family Fitness Festival at Marina South yesterday, Mr. Goh said that opposition parties here tended to be too quick to see all government policies in partisan terms.

"We are not that short term in our thinking. Ours is more long term, how to get Singaporeans to gel as a nation."

His time-frame was five to 10 years for the proposal's effects to be seen.

Explaining how CDCs would help achieve national bonding, he said that they should go beyond merely disbursing funds to welfare recipients.

"I want them to go and visit the families of the recipients, so that they will understand why they are on public assistance."

Through this personal interaction, he said, the less fortunate in Singapore would come to understand that the Government did not just give them money, but also cared for them.

As for Singaporeans living in opposition wards, he said that they would still be eligible for benefits like Edusave bursaries and Medifund subsidies.

"I will not discriminate against Singaporeans on the basis of their political beliefs or their voting."

Turning to the position of mayors, he said that they could be either full-time or part-time.

However, those in business would not be allowed to be part-time mayors as there could be a conflict of interest.

These would have to come from the ranks of the government; they could be Parliamentary Secretaries or Ministers of State.

He added that as the scheme was in its infancy, he would appoint only "two to three" mayors at first.

He said that Singapore was trying to evolve its own system of governing, and mayors here should not be compared to mayors in other countries.

Unlike other places where mayors' duties were largely municipal, he emphasized that mayors here had a social role to play.

"A good mayor will think of how to get the leaders and the more able, and the rest of the community, together."

Asked if the geographical boundaries of the mayor's responsibilities could change with electoral boundaries, he said that he would try to keep them as permanent as possible, although some changes might be necessary as the population size of estates changed.

Date of Next General Election?

Turning to the date of the next election, he gave nothing away apart from reminding reporters that, in 1991, he had said that he would "go for the full-term".

He added that the electoral boundaries review committee had not been set up, and that he was "in no hurry" to hold an election.

The Cost Review Committee sittings were no indicator of an election date, as he did not have to wait for them to be over before holding an election, he added.

Cambodia

Cambodia: Official Comments on Administrative Staff Reductions

*BK2608105796 Phnom Penh CHAKKRAVAL
in Cambodian 20-21 Aug 96 pp 1, 4*

[Report by Phkay Proek]

[FBIS Translated Text] Sok An, minister of the Council of Ministers office of the Royal Government of Cambodia [RGC], recently said this year's 10 percent reduction of the administrative staff in accordance with the administrative reform plan would increase work efficiency. He added that he would go ahead with the retrenchment because the RGC had already promised this to the IMF, and another 20 percent cut would take place in 1997.

Cambodia has only a small population, but its administrative work force is large and appears to be ineffective. This was why in 1995 the RGC implemented the first-phase reform by resorting to the counting process to determine the number of phantom officials. The result seemed to be unsatisfactory, however, because the number of ghost officials uncovered was insignificant.

Sok An stressed that, with about 143,000 public servants, the 10 percent reduction did not appear to be too excessive because this also included those who retired and those who volunteered to resign. The reduction cannot avoid being unjust, however, because no government officials want to give up their jobs voluntarily if their living conditions are not guaranteed through a clear-cut policy. Therefore, like it or not, a forced reduction will definitely take place. Anyway, officials who

have acted irresponsibly in the retrenchment process are now urged to carry out their tasks with fairness.

Cambodia: Supreme Court Upholds Sentence of SEREIPHEAP THMEI Editor

BK2508102896 Phnom Penh REAKSMEI
KAMPUCHEA in Cambodian 25 Aug 96 pp 1, 5

[Report by M. Santepheap]

[FBIS Translated Excerpt] Hen Vipheak, former editor of SEREIPHEAP THMEI newspaper, was brought to No. 1 Prison by police on 23 August after the Supreme Court upheld the sentence handed down by the Phnom Penh lower court and the Court of Appeal.

On the morning of 23 August, the Supreme Court heard the case of Hen Vipheak, who has been accused by the Royal Government of engaging in disinformation. The Phnom Penh lower court on 20 May 1995 sentenced Hen Vipheak to one year in prison and a fine of 5 million riels [Cambodian currency] and banned his newspaper's publication. The Court of Appeal upheld the sentence on 22 December 1995.

The Information Ministry accused Hen Vipheak's SEREIPHEAP THMEI newspaper of publishing in its 6 February 1995 issue misinformation that caused turmoil and that seriously affected the honor of the government leadership. [passage omitted]

After the pronouncement of the Supreme Court's decision, Hen Vipheak was taken to the penitentiary. It was noted that the people, who supported the former SEREIPHEAP THMEI editor and who were dissatisfied with the court sentence, followed Hen Vipheak to the prison gates. [passage omitted]

Cambodia: Co-Premiers Agree to King's Request To Pardon Journalist

BK2708070996 Hong Kong AFP in English
0658 GMT 27 Aug 96

[FBIS Transcribed Text] PHNOM PENH, Aug 27 (AFP) — Cambodia's co-Premiers on Tuesday gave their blessing for King Norodom Sihanouk to pardon a jailed opposition journalist who lost a Supreme Court appeal last week and was sentenced to a year in prison.

In separate letters, Prince Norodom Ranariddh and Hun Sen said they fully supported the monarch's suggestion that Hen Vipheak, former editor of the Khmer-language Sereipheap Thmei (New Liberty News) newspaper, be pardoned.

Sihanouk made his request on Sunday, two days after the Supreme Court rejected his appeal and upheld his conviction for distributing disinformation.

Human rights and press freedom advocates denounced the ruling as a serious assault to freedom of expression.

Hen Vipheak was jailed after the five-judge panel upheld a one-year prison sentence and 2,000-dollar fine against him for criticizing the country and the prime ministers.

The court disagreed with Hen Vipheak's argument that his article was opinion and thus protected under Cambodia's constitution. The court also cast aside his argument that a more lenient press law, passed since his original conviction last year, superseded the law under which he was convicted.

The king appealed to the premiers to uphold the Buddhist tradition of tolerance, noting that even though he has been the target of insults and libel from journalists, he accepted their freedom of speech.

King Sihanouk was not required to seek permission from the premiers to grant amnesties but said earlier this year he would ask their approval before pardoning three journalists, including Hen Vipheak, convicted of disinformation or defamation.

In July, the prime ministers accepted the king's request to pardon journalist Chan Rotana, who faced a sentence similar to Hen Vipheak's.

The third convicted journalist, Thon Bunli, was shot dead in May in broad daylight before his appeal was heard. No suspects have yet been arrested in the case.

It was not immediately clear when Hen Vipheak would be released from Phnom Penh's colonial-era T-3 prison.

Cambodia: Columnist Berates Sam Rangsi for Continued Hostile Policy

BK2608053996 Phnom Penh KAOH SANTEPHEAP
in Cambodian 22 Aug 96 pp 1, 4

[FBIS Summary] In his 500-word "Today's Comment" column, regular contributor Thong Sovansethei, a student, writes that opposition party leader Sam Rangsi has not given up his hostile policy against the Cambodian people despite having experienced repeated setbacks. "Sam Rangsi continues to try to block investors from investing in Cambodia following the U.S. decision to grant Most Favored Nations status to this country, repeatedly reviling Cambodia for its lack of democracy, which in reality is making great headway there."

The author points out that Rangsi's brand of democracy has been rejected by the masses, writing: "While the Cambodian people hate the Khmer Rouge regime, the proponents of Sam Rangsi's type of democracy are trying to bring the butchers back into the government." He

adds that at a time when the country needs foreign aid for national development, Sam Rangsai is instead calling for a suspension of international aid, traveling from Australia to Europe to the United States in a worldwide campaign to force the international community into making aid conditional on progress in establishing democracy in Cambodia.

After noting that "despicable" Sam Rangsai is resolutely opposed to everything that the Royal Government has accomplished for the sake of genuine democracy, the author stresses that Sam Rangsai is hurting his own country and people and will never be satisfied unless he wins all the power. The columnist warns that believing Sam Rangsai now is like holding hot embers. While expressing confidence that voters will not cast their ballots in Sam Rangsai's favor in the 1998 elections, he writes that electing Sam Rangsai would be the epitome of stupidity.

Cambodia: Editorial Urges Leaders To Stop Exploiting People

BK2608061996 Phnom Penh SAPORDARMEAN SEREIPHEAP THMEI in Cambodian 21-22 Aug 96 pp 1,4

[FBIS Translated Summary] In a 500-word editorial, entitled "Stop Using the People as an Excuse," Kan Vireak discusses the destruction of Cambodia and the Cambodian society, which he claims was caused by various leaders from different regimes. He says these leaders claim what they did was done according to the people's wishes. "During the Sangkum Reas Niyum era, those who were pro-democracy were branded as traitors and some were even executed. Those in power reported that this was done according to the people's wishes. Marshal Lon Nol's Khmer Republic, which staged a coup to overthrow Samdech Sihanouk, also said that this was done according to the people's wishes. Later, when the Samdech Euv appealed to the people to fight against Lon Nol's military regime, accusing it of being a U.S. puppet, he claimed that this was the wish of the people. The Khmer Rouge's Democratic Kampuchea regime forced the people to live in collective farms, claiming that they did so because of the people's wishes."

Kan Vireak continues by saying the Hun Sen-Heng Samrin-Chea Sim regime later forced the people to respect the Vietnamese. He says they banned Cambodian children from learning different languages or the history of other countries; that they forcibly recruited people to fight, took away people's rice, forced the people to join K-5 hard labor, signed agreements allowing Vietnam to gnaw away at Cambodian land, and so forth. "Leaders of this regime also claim that everything they did was in line with the people's wishes. Leaders have now res-

olutely rejected negotiation to end the dispute with the Khmer Rouge, claiming it is the people's wish. They are now saying that we should stop the enmity and give the Khmer Rouge a chance to defect. They claim this is the people's wish."

This means that all the suffering and misery of the Cambodian people has been caused by their own wishes. The author concludes by urging leaders to stop using the people as a pretext for their acts. The people are not responsible for these destructive acts.

Cambodia: Ieng Sary Denies Role in Genocide Under Pol Pot

BK2608032396 Bangkok BANGKOK POST in English 26 Aug 96 p 1

[Report by Prasit Saengrungruang]

[FBIS Transcribed Text] Khmer Rouge dissident leader Ieng Sary yesterday denied he was Pol Pot's right-hand man and that "Brother No. 1" was the sole and supreme architect of the Communist Party of Kampuchea's "reign of terror."

Sary, known as "Brother No. 2," also denied he was involved in the genocide in which two million Cambodians were exterminated by the Khmer Rouge regime from April 1975 to the end of 1978.

In an exclusive interview with THE BANGKOK POST yesterday at a Thai-Cambodian border village, Sary broke his silence to reveal he was often in conflict with Pol Pot over the official party policy line.

He also said he was not a mass murderer and was only implicated in the genocide because Pol Pot had appointed him as foreign minister.

"As far as the leadership of the Communist Party of Kampuchea is concerned, false datum had been inadvertently released by the mass media to the international public at large, giving an inaccurate report about its members' ranks and responsibilities," he told this reporter.

He said his appointment as foreign minister made him an unwitting "public figure" of the Khmer Rouge.

"At this point, one is entitled to ask this question: 'Wasn't this a tactic by Pol Pot to make his most prominent critic take all the blame for the reign of terror?' " he asked.

He also claimed that, as foreign minister, he was kept away from all decision-making in the party due to his frequent absences from Phnom Penh.

"So, it seems that the mass media have made a gross mistake by giving Ieng Sary the title of 'Brother No 2' and 'Pol Pot's right hand'," said Sary.

Instead, Sary pointed the finger of guilt at the secret committee which was answerable to Pol Pot alone and was responsible for all the arrest, torture and execution of the so-called enemies of the regime.

He named members of the secret committee as Nuon Chea, deputy secretary-general of the party, who he said was the actual "Brother No. 2"; Son Sen, deputy prime minister in charge of national defence and security; and Yun Yat, Son Sen's wife.

Sary said Nuon Chea was also in charge of rounding up intellectuals, diplomats and people coming back to Phnom Penh from foreign countries.

"Soon after landing at Pochentong Airport, those victims were immediately sent to different detention centres in Phnom Penh and the provinces without the knowledge of their families or even the Foreign Ministry," he said.

The Khmer Rouge dissident leader claimed that Pol Pot, as secretary-general of the Communist Party of Kampuchea, was the sole architect of the party's line, strategy and tactics and that every cadre was responsible for the implementation of such policies.

"The defeat of the U.S. in Phnom Penh two weeks before the U.S. defeat in Saigon, in fact, gave Pol Pot such a great aureole that he easily acceded to the pinnacle of absolute power," he said.

"Pol Pot's dictatorship which had been gradually taking shape since 1970, then became a full-sized and bloody dictatorship in 1975 after the liberation of Phnom Penh," said Sary.

He said, since the beginning, the hard line advocated by Pol Pot had always clashed with the moderate line he advocated.

"Pol Pot, born to a small landlord family, retained much of the ancient feudal system when ruling the country," said Sary, adding that he himself was born to a peasant family and had aspired to give his people freedom and democracy as he had always opposed all forms of dictatorship.

Cambodia: Chea Sim Calls For End to Conflicts, Divisions

BK2608115196 *Phnom Penh National Radio of Cambodia Network in Cambodian*
0500 GMT 26 Aug 96

[Speech by Cambodian National Assembly Chairman Chea Sim at the opening of an international conference

on the Cambodian language at Phnom Penh University on 26 August — recorded]

[FBIS Translated Excerpt] [passage omitted] Before concluding, I wish to point out that the conference will contribute to the development of human resources, which is the priority goal toward which our Royal Government of Cambodia [RGC] is currently striving in order to lead our country toward the 21st century with prosperity and happiness.

The knowledge of the past will enable us Cambodians to determine the sources of conflict and divisions and to stand up and join forces to move forward with harmony and political stability within a democratic society endowed with a culture of forgiveness, nonviolence, patience, and mutual understanding.

In light of this, we hope that our nation will reconcile past separations speedily without factional discrimination or political colors. Political stability should be enhanced under all circumstances, and all confrontations should be avoided by replacing them with discussions and dialogues, which are the best way to solve diverse problems honorably. It is best if we Cambodians are able to settle the problems between us on the basis of mutual respect and affection. [passage omitted]

Cambodia: Paper Views PRC's Possible Moves Regarding KR

BK2608145396 *Phnom Penh PHNOM PENH POST in English* 23 Aug-5 Sep 96 p 8

[Report by Michael Hayes]

[FBIS Transcribed Text] Have the Chinese offered to give asylum to Ieng Sary should the Khmer Rouge [KR] chief prove unpalatable to the existing body politic? Has Hun Sen now been granted "Most Favored Politician" status by the Communist Party leadership in Beijing? Or, is China's interest in Cambodia simply a function of wanting to establish a broader, mutually-beneficial economic relationship which will contribute to the Kingdom's on-going reconstruction and long-term development?

These and other questions concerning Chinese intentions in Cambodia have been on the minds of some Cambodia watchers in the last few months, and have only been heightened with the recent split in the Khmer Rouge senior leadership in western Cambodia. However, finding hard answers to a multitude of unknowns is more a matter of reading tea leaves than anything close to an exact science.

The two events which have brought much speculation to the fore on the China question are Second Prime

Minister Hun Sen's July 18-23 visit to Beijing and an earlier April 22-24 visit to Phnom Penh by Chinese General Zhang Wannian.

While the official line on Hun Sen's trip to China is that he requested the visit and that the Royal Government paid for the plane to go there, government sources and diplomats say that, in fact, it was the Chinese who extended the invitation during Gen. Zhang's April visit.

As well, sources say that the Chinese paid for the costs of the plane which was sent here from Beijing to pick the co-prime minister up and bring him home—a sum estimated at around \$100,000.

If the latter is true, analysts say that it is a serious indication of China's interest in courting the second prime minister, if not an outright endorsement of Hun Sen as the "man in charge" of Cambodia.

Moreover, assuming that it was the Chinese who invited Hun Sen, and not a request made by the co-prime minister, observers point to the importance of the man who delivered it.

Gen. Zhang Wannian is chief of the People's Liberation Army (PLA) General Staff Department and a member of both the party and state Central Military Committees. As chief of the General Staff, Zhang directs the PLA's most important command post, having direct control over all of the PLA's fighting forces. It was Zhang who directed the recent military exercises off the coast of southern China in the Formosa Strait which sent shivers through Taiwan and prompted the U.S. to dispatch two aircraft carrier groups to the region. Earlier in his career he headed a division during the 1979 military campaign against Vietnam, and was promoted rapidly after the conflict.

The highlight of Zhang's visit to Cambodia in April was the signing of a \$1 million military aid package with the Royal Government to provide training and equipment to RCAF [Royal Cambodian Armed Forces]. While the size of the aid package was not overly impressive, according to one western military analyst "the size of the delegation was a good indication of the general overall interest China has in Cambodia." Observers also note that the size of the Defense Attache's office at the Chinese Embassy in Phnom Penh—pegged at 30, including spouses—is an indication that the Chinese military is serious about developing a long-term relationship with the powers that be in Phnom Penh.

At the very least, Zhang's visit and the announcement of official military cooperation should have signaled the death knell on any lingering doubts about whether the Chinese were providing support to the outlawed Khmer Rouge.

Having been the KR's primary supplier of arms during the 80s and before, suspicions within the Cambodian People's Party (CPP) about Chinese intentions are understandable.

While most observers agree that the Chinese ceased supporting the KR since the signing of the Paris Peace Accords, including an unconfirmed refusal by China to grant permission to Pol Pot to travel to Beijing for medical treatment in 1994, doubts have lingered, especially when new Chinese weapons are found on captured KR guerrillas, although these are generally believed to have come from hidden caches of weapons in Khmer Rouge zones.

In a nutshell, it appears Zhang's visit was designed to show the Royal government and the doubting Thomases within the CPP that the Chinese political and military hierarchy were, at the very least, solidly in support of the coalition government.

While Hun Sen, on behalf of the CPP, and the Chinese Communist Party did not sign any party-to-party agreements in Beijing, the issue was discussed. China watchers say the Chinese are keen to do so, as they are also eager to strengthen party ties with their Laotian and Vietnamese counterparts.

But in Cambodia, the Chinese had to make a choice. The decision to try and establish links with the CPP has been made easier because of Funcinpec [National United Front for an Independent, Neutral, Peaceful, and Cooperative Cambodia]'s active courtship of Taiwan and Taiwanese business interests, which no doubt infuriates Beijing.

Taiwan—China's primary foreign policy concern—established a trade representative office in Phnom Penh last year. Flush with capital, Taiwanese investors have been pouring into Cambodia looking for productive business opportunities. Liaising primarily with Funcinpec government officials, Taiwanese have invested in hotels, real estate, timber operations and garment factories. On several occasions the Chinese are reported to have protested strongly, albeit privately, about the RGC [Royal Government of Cambodia]'s expanding links with Taiwan.

According to one China watcher, the Chinese feel they have been betrayed by Funcinpec—a party they supported for more than ten years when the Royalists were operating with the resistance factions on the Thai border.

"For the Chinese, being ungrateful is immoral," said the scholar. "The Chinese have made a cool calculation. They like the King, but they have to think of their own interests. They waited to see what the coalition would

do for three years and now they have decided to back Hun Sen."

Was the subject of the Khmer Rouge discussed when Hun Sen visited China and were the beginnings of a larger deal involving what to do with key Khmer Rouge leaders sketched out? The official response is "No", but its not too unlikely a scenario. Said one diplomat: "The prefect solution would be for Ieng Sary to go to China."

Overall, a wide variety of diplomats and political analysts say at China's primary interest in Cambodia is stability. Like Cambodia's ASEAN neighbors, China does not want to see a reversion to political unrest and widespread civil war. With enough problems of its own at home, China won't raise a finger on human rights issues in the Kingdom either.

Politics aside, is there potential for a burgeoning Chinese- Cambodian economic relationship? The answer so far seems a qualified "Yes".

Since the 1993 elections and the formation of a new government, Chinese entrepreneurs from the mainland have been pouring into Cambodia. In 1994 and 1995, Chinese were numerically the largest country by nationality for visitor arrivals at Pochentong airport— totaling 22,886 for 1995 alone, which works out to about 62 per day.

Chinese-owned enterprises have sprung up in Phnom Penh in the last two years like dandelions after a heavy rain: hotels, karaoke parlors, restaurants, import-export firms and general traders alike. The Chinese Embassy says that there are about 100 Chinese government and private firms with operations in Phnom Penh.

"Cambodia is great," said one Chinese investor, "You can do anything you want here." The man quit his job as a travel agent in a government owned firm in Guilin because he felt that he would have no savings after working hard for thirty years. He then spent two years in Vietnam, but left feeling frustrated with all the red tape.

While most Chinese arrive on tourist visas, travel agents say that the mainlanders are not coming to see Angkor Wa'.

Speculation is rife that many Chinese are coming to Cambodia to buy passports so they can travel on to third countries or buy land in the Kingdom. One airport security expert in Bangkok says that he regularly sees mainland Chinese coming out of Cambodia carrying Cambodian diplomatic passports. Said one government official when asked what all these Chinese were doing in Cambodia: "Go ask the Ministry of Interior"

More than a few hotels in Phnom Penh are said to have as many as 20 Chinese living in one room, getting by on the cheap while they figure out how to carve out some kind of new life.

There are already signs that a murkier underside of the Chinese presence is developing in the capital and stories have surfaced in the press whereby Chinese have been found dead in their hotel rooms bludgeoned to death over what is suspected to be some shady business deal gone sour.

Chinese traders have been coming to Cambodia for centuries and many have settled here permanently becoming Cambodian citizens in the process.

As well, Phnom Penh has always had a substantial Chinese business community as have the Kingdom's other major cities. A survey conducted in the 1950's indicated that seven percent of the country's population was of ethnic Chinese extraction, one of the highest percentages in Southeast Asia.

The existing class of ethnic Chinese businessmen bodes well for the development of stronger ties with "cousins" from the mainland. Language, customs, and a shared ethnic heritage serve well the growth of new business ties.

For the time being the process seems to be proceeding relatively smoothly, although there are the beginnings of grumblings from some Cambodian quarters about getting "gobbled up" by their giant neighbor to the north.

Its easy to speculate that one of the reasons Gen. Zhang was chosen to lead the April military delegation to Phnom Penh was his own experience in and contacts with the Chinese business sector.

As commander of the Guangzhou Military Region during the late 1980s, the general couldn't help but witness the explosive economic growth in Guangdong, especially as military units under his command were deeply immersed in business activities in the province.

Alas, the Chinese Embassy was a bit reticent to discuss issues such as this. The charge d'affaires said he didn't feel ready to take any questions. And when the subject of Chinese business interests in Cambodia was broached with one of the embassy's commercial officers, he politely begged off saying that he was too busy preparing for a 20 member business delegation which arrived in Phnom Penh on Aug 20.

Cambodia: Paper Faults King's 'Indifference' Over Breakaway KR

*BK2608103396 Phnom Penh CHAKKRAVAL
in Cambodian 22 Aug 96 pp 1, 4*

[Report by Sek Meas]

[FBIS Translated Excerpt] The king, who is the father of national reconciliation, the father of peace, the father of national independence, the saint, and the cool shade of the Cambodian people throughout the country, is currently acting in a partisan manner, causing the people to lose faith in him and the international community to mistrust him.

While launching an offensive against the Khmer Rouge [KR] during the last dry season, the Royal Government [RG] planned to purchase warplanes to crush the rebels. The king reacted and said in one of his messages from Beijing, however, that "he does not want to see his children killing each other." [passage omitted]

The KR troops loyal to Ieng Sary have broken away from the KR rebels led by Pol Pot, Ta Mok, and Son Sen. Between 8 and 20 August 1996, over 5,900 KR troops, together with tens of thousands of their family members, agreed to stop fighting and shedding blood in defiance of the orders by Ta Mok and Pol Pot. So far, however, the king, who is the father of national reconciliation, has not been seen sending any messages or issuing any statements to greet and comfort the breakaway KR, who are also his children.

The Cambodian people and the international community believe that, because of the king's indifference, he does not have the sincerity to achieve national reconciliation, and he is no longer worthy of being the father of peace. As the father of national reconciliation, the king knows his duty precisely.

Cambodia: KR Split Over Border Trade With Thais

*BK2608100496 Phnom Penh PHNOM PENH POST
in English 23 Aug-5 Sep 96 p 5*

[Article by Matthew Grainger: "Thais Forced To Play Key Role in Breaking the KR"]

[FBIS Transcribed Text] After years of bullish trading and soaring profits, the Khmer Rouge Timber and Gem Co. Ltd. has collapsed.

Flippancy aside, one of the reasons for the spectacular implosion of the Khmer Rouge was Thailand's decision on 27 May 1995 to close its border with Cambodia.

Thailand has been under intensive international pressure — particularly from the United States — to cut its long-standing links with the rebels in gems and timber.

Trading between Thai villagers and Cambodian villagers is as old as each country's history. And a Thai military official confirmed to the POST all expert opinion that rich, illegal deals are still being made between Thai army chiefs and both the Khmer Rouge and RCAF [Royal Cambodian Armed Forces] chiefs, but only a fraction of what had gone before.

Sources say that the cessation of the multi-million dollar trade of days gone by probably contributed to the increasing alienation of Ieng Sary from other rebel leaders.

The breakaway faction of I Chhien and Ieng Sary occupies the richest forests and gem fields. "Pailin gets Thai television. People there can see how the world is moving... and they're still stuck in the jungle, waiting for the dry season and for the RCAF to lob more shells at them," said one Thai source. "They had plenty of money but nowhere good to spend it."

Khmer Rouge "citizens" — villagers living within KR-controlled zones — are "dirt poor", say those who have been in the areas.

The United States had been "making the loudest noises" denouncing the Khmer Rouge and the countries aiding them, according to one American scholar. The US Government passed a law in 1994 that allowed for tough sanctions against countries helping the Khmer Rouge militarily. In 1995 that law was amended to include countries dealing with the Khmer Rouge commercially: this move, say analysts, targeted the Thais.

The law requires the US President to certify a country proven to have helped the Khmer Rouge. Given the scale of business that had been done throughout the late 80's and early 90's, Bangkok would have found it very difficult to continue denying its commercial links with the KR. Thai Prime Minister Chuan Likphai had to act decisively.

This was a fairly recent turn-about. After the Paris Peace Accords in 1991 the United States encouraged as much trade as possible between the KR and Thailand, as the single best way to undermine them as an organization and lessen their ideological control.

With Pol Pot holding sway, this approach only made for making a bunch of killers more wealthy, said one Western expert. When Khieu Samphan left Phnom Penh and the election process, the pressure went back onto the Thais to stop commercial trading.

The timing of the border closure in 1995 coincided with a May 26 expose by Global Witness, that the Khmer Rouge was getting rich with the complicity of Thai and

Cambodian military and government. The story played around the world.

Traveling up the Thai border posing as potential business partners, investigators Patrick Alley and Simon Taylor met and secretly filmed Thai and American businessmen who admitted paying off Cambodian and Thai soldiers, and the Khmer Rouge.

The border closure was "purely cosmetic", they said. One Thai general said: "These are not toothpicks," explaining how unlikely it was that Thai officials could fail to notice truckloads of logs crossing the border. "That's just our point," said Taylor.

Bangkok, while it had "kept a foot in both doors", recognized that as the Royal Government became stronger, there was less reason to deal with the KR, "especially when the same amount of money could [legitimately] be made with Phnom Penh," said one expert.

A Western intelligence source told Global Witness late last year: "We are of the opinion that Thailand is really sincere in wanting to cut its links with the Khmer Rouge.

"For the Thais, the KR has ceased to be important," he said.

The strangulation of income into the rebels' coffers "seriously hurt the Khmer Rouge," said one diplomat. In press articles and public statements, senior figures in both Cambodia and Thailand began claiming that the KR was suffering shortages of food, medicines, weapons and money. The military logistics of war also became harder to manage.

Though Bangkok dismissed the Global Witness evidence and the consequent publicity, orders went out the next day (May 27, 1995) from the Likhpai Government to seal the border, Alley said.

However, while the KR has been hurting since, so too have the Thai logging companies. They have been unable to bring out the logs already cut under old deals made with the Khmer Rouge.

"Last November people on the [Thai] border were saying they'd be getting timber by the end of the year, mainly from around Pursat and Pailin. We thought something was going on, and it turned out to be the 'one million meter' deal," Alley said.

Seventeen Thai logging companies — 16 of which were dealing with the Khmer Rouge — had struck a deal with the Cambodian Prime Ministers to export one million cubic meters of cut logs.

Prince Norodom Ranariddh argued that the logs would have gone across anyway, and that the Government should get some of the profit.

The outcry prompted the International Monetary Fund to freeze its funding to Cambodia. Aid donors put logging concerns at the top of the agenda at the Tokyo aid summit. Phnom Penh had to back down, and the Khmer Rouge in turn were "cheated" out of income worth \$35 million or more.

The KR split has further complicated the timber trade with Thailand. Hun Sen was quick to assure KR "moderates" that they could keep their business deals with the Thais, but till Sary and his followers agree to the terms of their "freedom", all deals appear to be off.

On August 16, Bangkok newspapers reported the squeals of protest from Thai logging firms who had long been waiting for their felled timber to be trucked out from Cambodia.

"Everyone's in serious trouble because each company has invested at least 100 million baht," said one Thai executive.

Most significantly, dissident KR commander Sok Pheap told THE NATION August 20 that he wanted Phnom Penh's permission to engage in cross-border trade with Thailand through Poipet. "We want to do business with the Thais freely and openly, so that our people can enjoy prosperity and be successful in business like people in Thailand at present," he said.

Global Witness argues that it was even more important now to preserve a strict moratorium on cross-border trade.

The US Foreign Operations Act was particularly influential in this respect, they said. Global Witness is still suspicious of the actual deals being done on the border: "The exact nature and terms of Thailand's cooperation over the export deal should be made public," they said.

The gem fields of Pailin cover 100 square kilometers, and Battambang gems traders say talk that the area being mined out is nonsense. Within 10kms of Pailin lie the ruby fields of Samlot and Bos Mom, and the sapphire-rich Bar Lang.

Thai gem dealers in Chantaburi say that when the Pailin ruby trade was at its peak, the trade was worth \$27 million a week. One stone in every three was from Pailin, but they were of a far superior quality and much more expensive.

The timber trade was, at its peak, worth between \$10 million and \$20 million a month to the Khmer Rouge, according to Global Witness. At \$100 per cubic meter, the Khmer Rouge, in just one month alone through one Thai port from Koh Kong province, made \$1.2 million. Thai truck drivers carried "official" Khmer

Rouge passports. Photographs were taken of senior KR commanders — including Chhien — partying with Thai military and businessmen.

Cambodia scholar Stephen Heder said the Sary/Mok split would have deepened by the different attitudes each would have held over the Thai border closure. Sary — the more moderate, and with an eye to personal wealth — might have argued the need to deal with the Thais more openly. Mok's view would have been to disregard the Thais and carry on the fight, he said.

The KR used the money from timber and gems to fund their war and buy respectability and credence among villagers within its areas of influence. The money also lined the pockets of the ruling elite, particularly, according to hardline Khmer Rouge radio, Sary.

The rebels' need for cash has been easily met by its occupation of easily defended positions among the gem-rich hills of Pailin, and the forests of Banteay Meanchay, western Pursat and Battambang, Koh Kong and northern Stung Treng, where money literally grows as trees around them.

Cambodia: KR Split Said Revived FUNCINPEC-CPP Rivalries

*BK2608092396 Phnom Penh PHNOM PENH POST
in English 23 Aug-5 Sep 96 pp 1, 2*

[Article by POST Staff: "Khmer Rouge Gambit: Peace or Peril?"]

[FBIS Transcribed Text] After a tense political stand-off over the future of Khmer Rouge [KR] chief Ieng Sary, Hun Sen appears to have offered an olive branch to Prince Norodom Ranariddh to help control a potentially explosive situation.

Hun Sen — who had earlier appeared to be attempting to dictate events for his own political gain — went to see his co-prime minister last Saturday to offer that they work together on the KR and other issues.

Power-sharing between FUNCINPEC [National United Front for an Independent, Neutral, Peaceful, and Co-operative Cambodia] and CPP [Cambodian People's Party], at the heart of major divisions within the coalition for months, is believed to have been discussed at the meeting.

"The prime ministers have mended their fences," said FUNCINPEC General Nhoek Bunchhai, closely involved with negotiations with the KR in northwestern Cambodia.

Asked about a rumored fresh agreement on power-sharing, he said: "Yes, but they did not say precisely

about the 50-50 sharing of the districts... but they agreed to solve the problems that have not been solved."

Foreign diplomats have privately and persuasively suggested to both leaders about what a great opportunity they now have to jointly forge a peace — fearing that if the delicate issue is mishandled or misunderstood in any way the result could be irreparable.

Long-standing divisions between FUNCINPEC and CPP have been added to by the breakaway of thousands of KR troops and their families in Pailin and Phnum Malai.

Sources say the dramatic KR rebellion — which potentially could lead to a fatal weakening of the guerrilla movement — has revived political and military divisions within the government coalition.

For the past fortnight, the prime ministers appeared in serious dispute over the handling of the KR breakaway

Hun Sen publicly declared that thousands of KR troops had defected — they later said they had broken away from the "old guard" of the KR but had not defected to the government — after negotiations personally controlled by him.

He pledged to "protect" Ieng Sary, the breakaway leader, which some politicians interpreted as entertaining the possibility of permitting the former KR chief to defect to the government.

Ranariddh, meanwhile, echoing private consultations he had with his father King Sihanouk, declared that Ieng Sary was a mass murderer who should be punished.

At the heart of the dispute appeared to be Hun Sen's attempt to claim public credit for provoking the KR split.

Sources, however, maintain that FUNCINPEC officials initiated negotiations with elements of the KR. Bunchhai has been known to have been talking to the KR for a year, according to some sources, and his uncle Ta Su is the commander of KR Division 519.

What is unclear is whether FUNCINPEC was attempting to negotiate defections — or an alliance with the KR — to present a united front in the face of any confrontation with CPP.

The CPP has in recent months strongly suspected that FUNCINPEC has been preparing a strategy to seize three northwest provinces — Siem Reap, Battambang and Banteay Meanchey — with the help of the KR. FUNCINPEC says the sole aim of the talks were to encourage more defections — which has been a

successful strategy by the RCAF [Royal Cambodian Armed Forces] and one that, till now, appears to have particularly strengthened neither FUNCINPEC nor CPP.

Hun Sen — either because he did not want FUNCINPEC to take the public credit for any mass defections or because he suspected a KR-FUNCINPEC alliance was pending — took action.

Military sources say Hun Sen instructed senior CPP military to make contact with KR groups.

Around the same time, an apparent crackdown within the KR by hardliners such as Ta Mok prompted an internal rebellion, with Ieng Sary at its center.

The effect that Phnom Penh negotiations may have had in sparking the revolt is unclear, but on Aug 7 the KR clandestine radio unleashed a diatribe against Sary accusing him of being a traitor.

The next day Hun Sen declared that thousands of KR troops — headed by divisional commanders loyal to Ieng Sary — had defected.

Hun Sen said he and the CPP Minister of Defence Tie Banh had been negotiating with the defectors for two months.

He later said he was prepared to talk to the KR chief at any time.

"If we can avoid bloodshed and the deaths of thousands of lives because of his leadership [in breaking away], we must welcome him," said Hun Sen, though he stopped short of saying that Sary should be permitted to return to Phnom Penh.

Ranariddh later said that some people had talked about possible KR defections "at the wrong time" and that, as far as he was concerned, Sary and other senior KR leaders were completely unacceptable.

King Sihanouk, in written comments in his monthly bulletin, wrote that Sary was a "pirate thirsting for riches" and "a traitor... excrement."

Meanwhile, representatives from about ten KR Divisions are believed to be involved with negotiations with RCAF officers in northwestern Cambodia.

Initially, FUNCINPEC officers were believed to be handling some negotiations, and CPP others. After Hun Sen's meeting with Ranariddh, a joint approach was worked out.

At the Post's press time, a joint FUNCINPEC-CPP negotiating team had hammered out some agreements with envoys from the breakaway KR group. They included a cease-fire and a joint RCAF-KR working group to continue negotiations.

A stumbling block, however, was a request from the KR rebels for a definitive position from Phnom Penh on the future of Ieng Sary.

Representing the KR breakaway group was I Chhien, commander of KR Division 415 based at Pailin, Sok Pheap, commander of Div 450 at Phnum Malai and Ieng Savut, son of Sary.

For the government, there was General Nhoek Bunchhai (FUNCINPEC), General Pol Saroeun (CPP) and the first secretary of the Cambodian Embassy in Bangkok, Long Sarin.

According to Bun Chhay, I Chhien asked for the Royal Government to give an official position on the case of Ieng Sary.

Sok Pheap had earlier told Thai journalists that the breakaway group wanted to be given the right to start a political party under the leadership of Sary.

Bun Chhay said he had relayed Chhien's request to Phnom Penh and was awaiting a response from the prime ministers.

Cambodia: Khmer Rouge—Ranariddh Admits Vietnamese Control Country

BK2408094296 (Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian 2330 GMT 23 Aug 96

[FBIS Translated Text] First Prime Minister Ranariddh recently disclosed that in Phnom Penh there is a Vietnamese who has the most rights and power. This Vietnamese can do what he wants. He controls major officials of the two-headed government.

Why did Ranariddh disclose this? This is because he is up to his neck with pain. He has failed in his call to share power. FUNCINPEC [National United Front for an Independent, Neutral, Peaceful, and Cooperative Cambodia] party signs cannot be put up in the provinces. They have been destroyed and burned by communist Vietnam's puppets. Furthermore, Hun Sen, lackey of communist Vietnam, tramples on Ranariddh as though he is garbage.

Ranariddh has therefore disclosed the above about the Vietnamese. In fact, it is not just that one Vietnamese who controls the two-headed government. There are many more, excluding the nearly five million ethnic Vietnamese. We are talking about the Vietnamese who have (?wealth) and rank and who are in control of their puppets.

They comprise those with the rank of sub-lieutenant, lieutenant, captain, major, and colonel, and also include

those who are members of Central Committee of the CPV. These Vietnamese control Hun Sen, Chea Sim, and Sar Kheng in every area and from top to bottom. They give orders to destroy FUNCINPEC, other political parties, and those who oppose communist Vietnam and its lackeys and puppets. These communist Vietnamese have forces everywhere in Cambodia, in Phnom Penh and in the provinces.

Earlier, communist Vietnam, UNTAC [UN Transitional Authority in Cambodia], the alliance, and Ranariddh himself, kept saying that there are no Vietnamese. They flocked to join the Vietnamese to give them cover, with the hope that the Vietnamese would give them peace and hand over some leftovers.

However, when they did not give them leftovers and even bit them, these guys shouted Vietnamese, Vietnamese! This shows that no one can cover up the truth that communist Vietnamese aggressor forces are controlling the two-headed government, Hun Sen, Chea Sim, and Sar Kheng. The true nature of the two-headed government is that of the communist Vietnamese aggressors and exterminators of the Cambodian race.

This is the reason why the national resistance forces of Democratic Kampuchea oppose UNTAC and did not take part in the election and fight to oppose the two-headed regime, whose true nature is that of the communist Vietnamese aggressors and exterminators of the Cambodian race. They will continue to struggle so that Cambodia has genuine peace, sovereignty, and territorial integrity, and has genuine rights to decide its own destiny.

Cambodia: Vietnamese Diplomat Attends CPP Secret Meeting

BK2608063396 Phnom Penh MONEAKSEKA KHMER in Cambodian 20-21 Aug 96 pp 1, 3

[Report by Ret Meakkara]

[FBIS Translated Excerpt] While the Cambodian National Assembly was debating the nationality law, a delegation of the Vietnamese National Assembly Standing Committee came to pay an official visit to Cambodia.

A Vietnamese delegation led by MP Vu Mao attended the Cambodian National Assembly session which was debating the Cambodian nationality law on 13 August as observer and met with Chea Sim, leader of the Cambodian People's Party [CPP] and chairman of the Cambodian National Assembly. Although a spokesman of the Vietnamese Embassy said that the delegation's visit to Cambodia "was not to discuss any petty matters relating to the Vietnamese nationals in Cambodia, the observers believed that this Vietnamese delegation must

have raised the same question as the first Vietnamese delegation did a few month ago, that is, the protection of the Vietnamese nationals (including illegal immigrants) in Cambodia.

The Vietnamese Embassy spokesman said that he would like "to stress that the purpose of the Vietnamese delegation's visit to Cambodia is aimed at consolidating friendship and cooperation and at exchanging views concerning our two national assemblies."

However, according to a CPP official, a secret meeting was held a few days ago at the CPP office during which a Vietnamese Embassy official was the only guest invited to attend.

The same source said that during the meeting, the Vietnamese diplomat asked the CPP to help provide facilities for (illegal) Vietnamese immigrants in Cambodia. He especially asked [the CPP] to "bar the implementation of the immigration law" and to push for a nationality law that will enable the Vietnamese nationals living illegally in Cambodia to legally become Cambodian nationals."

The source added that "a high-ranking CPP member [name not given] thanked [the Vietnamese] for giving good advice to the CPP in its current and future activities."

The CPP member who is the source of this news added that "The CPP secret meeting decided to infiltrate its secret agents as members of the Khmer Nation Party and FUNCINPEC [National United Front for an Independent, Neutral, Peaceful, and Cooperative Cambodia]" and "to implement the strategy of using all means, including money, material assets, and ranks, to attract important members of various political parties" to turn to serve the policy and interest of this former communist party.

The source said further that the Vietnamese diplomat "instructed" the CPP during this secret meeting, saying "Even though we lose, it is in order to win (losing the elections, but gaining the power)." The Vietnamese diplomat's instruction added "You [the CPP] should not stage a coup, for it will not benefit you; even though you win, the international community will not support you and Vietnam also cannot interfere" because it is an ASEAN member now.

The source added "what it [the CPP] is doing now appeals it is not well received internationally, but it has gained much power inside the country."

In conclusion, this CPP member said "The Vietnamese signed a secret agreement with the CPP" but he did not know the details of the agreement. He said in

his opinion, this secret agreement might deal with "the Vietnamese side urging the Cambodian authorities [from the CPP] to issue as many ID cards (cards identifying them as Cambodians) for the Vietnamese nationals." [passage omitted]

Cambodia: IMF Tests Government's Will To Reduce Staff

BK2608151096 Phnom Penh PHNOM PENH POST
in English 23 Aug-5 Sep 96 p 9

[Report by Matthew Grainger]

[FBIS Transcribed Text] Cambodia is heading toward a collision with international bankers over, among other things, present and future demands to sack 135,000 or more soldiers, police and civil servants.

The International Monetary Fund (IMF) is continuing to withhold a \$20 million loan installment for "budgetary support" which is already five months overdue. The installment was originally frozen because timber revenues were not being paid into the State budget.

Now, the IMF is testing whether Phnom Penh has the political will to reduce its number of State servants.

Donors and sources within the Royal Government say that political will does not exist.

For both Prime Ministers, culling loyal party members from the army, police and civil service would mean an erosion of influence and power, which a floundering Funcinpec [National United Front for an Independent, Neutral, Peaceful, and Cooperative Cambodia] particularly cannot afford just 18 months out from an election. Cambodian sources also say that Hun Sen views IMF and World Bank conditions as examples of "Western meddling."

"(Ministerial advisers) care about (what the IMF and World Bank want), but they can't do anything about it," said one senior Cambodian official.

The IMF recently discovered that the number of Cambodian civil servants was even higher than the 138,000 that the Government said it had—and this after nearly 7,000 "ghost" workers had been chased away in an internal audit. The figure has now ballooned out to more than 163,000, following further Funcinpec and BLDP [Buddhist Liberal Democratic Party] appointments within various ministries. NGOs [Nongovernmental Organizations] report that this has been noticeable both in Phnom Penh and in the provinces.

One of the IMF/World Bank "rules" of good financial governance calls for the number of civil servants to be pegged at between 0.5 per cent to 0.75 per cent of

the total population. That means the pressure is on the Government to shed 50,000 to 70,000 jobs.

Though Council of Ministers chief Sok An is working with the UNDP [UN Development Program] and the World Bank on this, sources say that Ranariddh and Hun Sen have scrapped a promise to cut one in ten public service jobs this year, and the same again in 1997.

"(The Prime Ministers) are not prepared to lose any of these jobs. There are elections coming up and these jobs are party properties. This is one of the problems with factional politics," said one analyst.

The IMF had already let Cambodia "off the hook" for the time being on reducing its military—this too being Sok An's responsibility—but instead said they would talk about it later," one source said.

This demobilization will eventually see another 50,000 people or more laid off. Relevant NGOs are pleased at the delay, saying they would have been expected to deal with the social implications of so many redundant soldiers, and only then as an afterthought. One NGO chief complained that neither the IMF nor the World Bank bother themselves with the social problems of such mass layoffs, while the Royal Government cannot afford to help those affected.

The IMF and World Bank have also insisted that police numbers be cut, from 70,000 to around 55,000. "This is also politically unacceptable," said one Cambodian official, adding that the Prime Ministers are neither willing nor able to agree on such a measure.

The official also noted that there were now about 10,000 military police, effectively another private force under commander Kieng Savut and aligned to the CPP. "This was supposed to have been built up from surplus police and army personnel," he said. "In reality, it has been staffed with entirely new people."

Ministry of Finance State Secretary Sun Chanthol said the delay in the IMF payment was a minor one, a matter of "filling in numbers to do with civil servants that (the Government) did not have.

Chanthol said the Government and an IMF auditing team that recently visited had reached agreement "on everything except for these few numbers".

He said when the statistics were ready they would be sent to Washington D.C. and the IMF board there would likely approve the disputed payment. "It is nothing like the IMF pulling out of Cambodia, as some newspapers have reported."

Chanthol said that to his knowledge the IMF was not now worried about logging. "As long as we are to fulfill

(promises of transparency and accountability of logging revenues), there is no problem."

However, the Ministry of Finance is now striking the 1997 budget and the estimate of logging revenues is again providing a big headache. "We know there are millions of dollars worth of logging going on, but the projected income (for 1996) was only about six billion riels (\$2.4 million)—and we haven't even seen much of that," said one ministry official.

The IMF has also insisted that the CDC [Council for the Development of Cambodia], Cambodia's investment agency, must pass internal regulations to manage the Investment Law.

One source said: "There are many criteria that Cambodia has to look at with investments—how technical the investment is, how many people a company will employ, how much tax it should pay, how it will affect exports. Without internal rules and regulations, the CDC can approve what they want and give tax exemptions to whom they please.

"Even with an Investment Law, CDC could be open to charges of approving investment deals on political, financial or family favors. On one hand, the IMF tells the Government to lower State spending and increase domestic revenue, on the other hand there is a government agency (the CDC) giving away tax exemptions on a whim," he said.

Chanthol said however that CDC's new internal regulations were now with the Council of Ministers awaiting approval.

"This is mainly to make sure the granting of (tax and other) incentives is more transparent," he said.

Investments would in future be "ranked" on a number of criteria, for instance on how many local people would be hired, so that the highly-ranked investors would be given priority for approval and for tax and other incentives, he said.

"There won't be anything like 'Oh he's a nice guy, we'll give him an eight-year tax holiday'," Chanthol said. He said it had taken a long time for the CDC "to really see the potential issues and problems... facing us now."

The IMF team left Phnom Penh last month "having reached a broad agreement on a policy package," team leader Michael Kuhn said. "The key is having it all implemented and we'll see over the next few months whether the Government follows through with its intentions."

Cambodia only has about ten to twelve weeks worth of foreign currency left in the Central Bank to pay for its imports. One international banker said that although it

was a long way before Cambodia could be said to be in crisis, the situation was "dangerous", especially because of the message the IMF was sending to other financiers and donors.

Presently, Japanese budgetary support money was shoring up Cambodia's foreign reserves. That would not last, sources said, because Japan—like the World Bank—is going to peg its aid toward individual development projects from next year.

Sources added that the IMF is a sister organization to the World Bank. "If the IMF continues having these sorts of problems, the World Bank will have to look toward its program as well. If the IMF were ever to pull out, the World Bank would have to go as well."

Highly placed sources within the World Bank say that there has been an historical tendency for the Bank and the IMF to place too many conditions on borrowing governments. In a situation like Cambodia's, the IMF is in danger of "painting itself into a corner", eventually having to realize that it cannot insist on 135,000 jobs being cut as fast as it wants.

"(The Cambodians) can look you straight in the eye and say 'yes, we'll cut those jobs'. It just won't be on the same timetable as what the IMF thinks," said one Bank official.

It was unlikely that the IMF or the Bank would pull out of Cambodia, especially as aid donors have said they will not walk away from the one of the poorest populations in the world, he said.

"There is a lot of articulate argument coming from Asian countries now that they will follow their own brand of development, which is different from that of the West and that has been proved to work."

Cambodia: Proposed BLDP-KNP Alliance Likely 'Loose'

BK2508125496 Phnom Penh REAKSMEI
KAMPUCHEA in Cambodian 24 Aug 96 pp 1, 2

[Report by Saophoan]

[FBIS Translated Summary] In this 360-word report the author cites confidential correspondence between Mr. Sok Sarin, the secretary general of the branch of the Son Sann-led Buddhist Liberal Democratic Party (BLDP) in the United States, and Son Sann REAKSMEI KAMPUCHEA received on 22 August. He writes that Mr. Sok has analyzed diverse events relating to "the proposal to establish a union or alliance between the BLDP and the Khmer Nation Party [KNP]" made by KNP Chairman Sam Rangsi. According to Mr. Sok, "The KNP is

still immature and inexperienced in governmental, administrative, and diplomatic management and in public relations; its members are inexperienced and entangled in differences and most of them are opportunists who have run away from parties in and outside the country that have not yet been endowed with an established political structure; and the KNP itself lacks leadership and discipline." Mr. Sok Sarin further says that Sam Rangsi hardly listens to other people, that he is rather a technocrat than an skillful politician, and that he is arrogant and lacks experience in public relations. Mr. Sok also pointed out that Sam Rangsi, who is a renegade, "comes to us at this point because he has no other choice. However, he will undoubtedly forget or kick us out once he has achieved his goal."

Concluding, the author says Mr. Sok's aforementioned view indicates that the nature of the not yet officially-declared alliance between the Son Sann party and the KNP will be "loose."

Indonesia

Indonesia: Air Force Chief Views Possible Cancellation of F-16 Sale

BK2708060896 Jakarta ANTARA in English
26 Aug 96

[Received via Internet]

[FBIS Transcribed Text] Ujungpandang — Air Force chief of staff Vice Marshal Sutria Tubagus said on Monday that the Indonesian Air Force (TNI AU) will continue to operate its present fleet of planes if the U.S. cancels the planned sale of nine F-16 fighter jets to Indonesia.

He said he has not yet been informed whether or not Washington has decided to go ahead with the planned sale of the F-16s to Indonesia.

"There has been no such decision yet," he told reporters upon arriving at the Hasanuddin airport here. The State Department stated last Wednesday that U.S. officials have not yet decided whether to go ahead with the planned sale of nine fighter jets that form part of a group of 28 originally purchased by Pakistan but were never delivered.

The U.S. statement came amid concerns over what it calls human rights problems in Indonesia. Pakistan was barred from taking delivery of the nine fighter jets when Congress froze aid to Islamabad in 1990 because of suspicions that it was developing nuclear weapons.

Minister/State Secretary Mardiono said last Friday that Indonesia will have no problem if the U.S. decides to cancel the planned sale of the F-16s.

"From the beginning, President Suharto has not given top priority to the purchase of the jets because our main priority is to develop the country's economy," Mardiono said. Tubagus is here on a five-day working visit.

Indonesia: Suharto Hosts Banquet for Argentina's Menem 26 Aug

BK2708080096 Jakarta Radio Republik Indonesia
Network in Indonesian 0000 GMT 27 Aug 96

[FBIS Translated Text] Indonesia and Argentina have shown that they are ready to work together and strengthen South-South cooperation through the auspices of the G-15 and G-77. Indonesia, however, is concerned over unbalanced North-South relations.

President Suharto made these remarks during his speech at a banquet honoring Argentine President Carlos Menem at Jakarta's State Palace last night. The president said that the socioeconomic gap between developed and developing countries and that the unfair world trade system are just some of the problems that are not yet solved. President Suharto, therefore, stressed the need to continue constructive North-South dialogue, which is aimed at achieving a partnership. He wants the partnership to respect one another and which is aimed at building a peaceful, progressive, just, and prosperous world.

Indonesia: Suharto, Argentina's Menem Hold Talks in Jakarta

BK2608105996 Jakarta Radio Republik Indonesia
Network in Indonesian 0700 GMT 26 Aug 96

[FBIS Translated Text] The most important part of Argentine President Carlos Menem's visit to Indonesia were his talks with President Suharto, which were held at the State Palace shortly after his arrival in Jakarta this morning. Our correspondent Joko Saksono reports:

[Begin recording] [Saksono] Even though the Argentine president is only making a one-day state visit to Indonesia, the visit is quite significant to the expansion of bilateral cooperation. After his arrival in Jakarta this morning, President Menem received an official welcome from President Suharto at Jakarta's State Palace where both leaders held official talks and witnessed the signing of a memorandum of understanding on [words indistinct]. Minister- State Secretary Mardiono then briefed reporters on the outcome of the talks.

[Mardiono] President Suharto said he had waited a long time for the Argentine president's visit. He said the visit gave the momentum needed to boost bilateral economic cooperation. This is the first visit to Indonesia by an Argentine president since the establishment of diplomatic ties many years ago.

The Argentine president expressed his joy at having the chance to visit Indonesia. Despite the shortness of the visit, he said he will gain first-hand experience of Indonesia, especially its economic development. He was also happy to meet with President Suharto and other Indonesian leaders.

The Argentine president seemed to know a lot about Indonesia. He extended his congratulations to us on our economic progress and expressed his confidence that his visit would enhance bilateral cooperation. Menem also extended his congratulations to us on our recent independence day. He invited President Suharto to visit Argentina at an appropriate time. The president accepted the invitation and said a suitable date would be set for the visit.

The two leaders said they believed that the two countries have great potential to boost economic and trade cooperation, therefore, both should get to know each other through more frequent exchanges of visits by state officials and private businessmen. As a follow-up to the Argentine president's visit, my colleague, namely Industries and Trade Minister Tunky Ariwibowo, will receive special instructions regarding this from President Suharto.

We can actually benefit from Argentine's great potential in several areas, such as its large production of wheat, corn, soybean, and cattle. As you know, we import these commodity goods in large quantity. The problem lies in transportation as there is a great distance between the two countries. Our basic policy to boost bilateral trade is through the counter purchase system; therefore, our president has instructed our ministers of foreign affairs, industries, and trade to study how to boost communications and transportation link between the two countries. In this connection, the president has approved possible measures on how to boost air communications between Indonesia and Argentina because there is also great potential for Argentine tourists to come and visit Indonesia. The president also offered to sell aircraft produced by the Nusantara Aviation Industries to Latin American countries.

The two leaders also exchanged views on general issues with both realizing their country's great potentials. They stressed the importance of intensifying the exchange of visits. They also realized the need to agree on the legal framework, specifically the avoidance of double taxation and the air service agreements.

[Saksono] The Argentine president is scheduled to hold talks with officials of the Indonesian Chamber of Commerce and Industry and to visit Purna Bhakti Pertiwi Museum this afternoon. President Suharto will

host a state banquet in President Menem's honor at the State Palace this evening. [end recording]

Indonesia: Vigilance Over PRD Plan's To Revive Communism Urged

BK2408102996 Jakarta Radio Republik Indonesia Network in Indonesian 0000 GMT 23 Aug 96

[Station commentary]

[FBIS Translated Text] Speaking to reporters after he installed second-echelon Justice Department officials in Jakarta on 21 August, Justice Minister Utoyo Usman said 90 percent of the jargon used in the PRD [Democratic People's Party] political manifesto is similar to that used by PKI [Indonesian Communist Party]. Besides, the PRD concepts and ways of thinking are obviously aimed at overthrowing the government. Minister Utoyo Usman even cited one sentence from the manifesto which says that after 30 years eight months and 20 days under the economic and cultural restrictions, the time has come to launch radical resistance with workers as the backbone and with the support of farmers and students.

Remarks clearly aimed at creating conflicts in society have been made in PRD's call for nationwide worker strikes. The justice minister added that the PRD concepts were based on the communists' concept of historical materialism. They are also not just ideas that are still in the minds of its members, but have already been put into action.

It is obvious that the PRD, which has always referred to itself as the bearer of people's message to promote democracy, has in fact a special mission to revive communism in Indonesia. However, we are fortunate that thanks to the vigilance security personnel, these attempts have been thwarted. Therefore, the party is unable to grow further and endanger national unity and integrity.

The leaders and members of the organization which call itself PRD are mostly young people who were still children when the G-30-S [30 September Movement] rebellion took place in 1965. Some of them were even not even born. This shows that even though PKI had been banned many years ago, we must continue to be vigilant against its latent danger at present and in the future. History shows that communist rebellions occur again and again if people are not vigilant and allow seeds of communism to grow among us.

The vigilance against communism must be accompanied by efforts to improve public awareness and preserve the

values enshrined in the Pancasila ideology. For this reason, the Pancasila indoctrination program should continue to be intensified to reach the entire population, especially the younger generation who have not experienced the G-30-S/PKI rebellion.

Indonesia: Soldiers Kill 1 Kidnapper of Workers in Irian Jaya

BK2308161996 *Jakarta KOMPAS in Indonesian*
23 Aug 96

[Unattributed report — received via Internet]

[FBIS Translated Excerpt] ABRI [Armed Forces of the Republic of Indonesia] soldiers attached to the Trikora 8th Military Region Command's Rajawali Task Force exchanged fire with a band of robbers at about 1100 East Indonesian Standard Time [0200 GMT] on Thursday (22 August). The robbers, headed by M. Yogi, have kidnapped 12 workers of the Jayanti Group.

The robbers later escaped into the thick forest areas of Irian Jaya, leaving behind a colleague shot dead during the exchange of fire.

Lieutenant Colonel Maulud Hidayat, head of the Trikora 8th Military Region Command Information Service, told journalists last night that in addition to killing one robber, the soldiers had also seized a rifle and a magazine loaded with 34 bullets.

During the exchange of fire, the soldiers did not see any of the kidnapped 12 workers.

The Jayanti Group workers were taken hostage by the robbers led by M. Yogi on 15 August at the Jayanti temporary base camp of the logging company in Mimika Timur subdistrict, Fakfak district. Major General Duniya Daswita, commander of the Trikora 8th Military Region Command, said at a news briefing on 17 August that, as before, ABRI would not conduct any negotiations because this was clearly a case of robbery. On 20 August, Major General Johnny J. Lumintang replaced Maj. Gen. Duniya as commander of the Trikora 8th Military Region Command.

Lt. Col. Maulud reiterated that the hunt for the band of robbers who escaped into the jungle will continue.

Following yesterday's exchange of fire, ABRI felt certain they know the robbers' whereabouts.

The exchange of fire occurred 15-20 kilometers north of the camp where the Jayanti Group workers were kidnapped on 15 August. "I am confident this case will be settled soon," Lt. Col. Maulud said. [passage omitted]

Indonesia: Abducted Workers Believed To Be Moved to Timika Jungle

BK2408111196 *Jakarta Radio Republik Indonesia Network in Indonesian* 0600 GMT 24 Aug 96

[FBIS Translated Text] Eleven employees of the Kamundan Raya Co. Ltd. abducted by Irian Jaya GPK [security disturbance movement] are believed to have been moved into the jungle bordering with Timika, Fakfak District, Irian Jaya Province. As chief of the task force to free the hostages, Colonel (Frans Dewena), commander of Manokwari 171st Area Military Command, said the assumption is based on the GPK traditional northward-bound route. (Frans Dewena) said bad weather is hampering hostage-rescue operations.

Meanwhile, Colonel Mahidin Simbolon, commander of East Timor's Wiradharma 164th Area Military Command, said his forces had captured two East Timor GPK members in the past two months. The two GPK members were operating in Viqueque, Ermera, and Manatuto Districts. (Florindo), one of the captured GPK members, was arrested in Ermera on 16 August. Wearing a combat dress, he was found to hold captain's rank.

Indonesia: Minister Defends Law To Revoke Publication Licenses

BK2708103696 *Jakarta THE JAKARTA POST in English* 23 Aug 96 p 1

[Unattributed report]

[FBIS Transcribed Excerpt] Jakarta (JP) — Minister of Information Harmoko dashed hopes that press bannings would become a thing of the past when he asserted yesterday that the government would not rescind a regulation which allows it to revoke a publication's publishing license.

"The procedure of revoking the SIUPP (publishing license) itself is part of the regulation. Its existence is valid and in accordance with the existing laws," Harmoko said.

The minister was commenting on a remark made by Coordinating Minister for Political Affairs and Security Susilo Sudarman which suggested that the government would no longer dissolve a publication, should it make "mistakes", by revoking its license.

Susilo was quoted by human rights campaigner Marzuki Darusman as saying on Tuesday that the editor-in-chief or journalists involved would be held accountable instead.

Susilo's remarks immediately drew a positive reaction from members of the press as well as observers, with many saying that the new media policy was a breath of fresh air and brought hope of an end to press bannings.

The popular TEMPO weekly, EDITOR magazine and DETIK tabloid had their licenses revoked in 1994 for editorial and administrative violations.

Harmoko yesterday defended Minister of Information regulation No. 1/1984 which provides the mechanism for such a cancellation of publishing licenses.

"Just like any other institutions if the press makes mistakes or violations, then certainly stern action will be taken against it," the minister told journalists after opening the third exhibition of Indonesian Graphics, Print, and Paper at the Jakarta Fair Grounds yesterday.

Harmoko maintained that despite its unique role, the press is not an institution which should receive special treatment.

Harmoko acknowledged Susilo's statement, but argued that this did not imply a repeal or even a revision of ministerial regulation No. 1/1984.

"Why don't you pay attention. The Coordinating Minister said that it (action taken against the media) would not necessarily be contiguous with the (revocation of) SIUPP," Harmoko said. "This means there is still the possibility of a cancellation of the SIUPP." [passage omitted]

Laos

Laos: Foreign Minister Returns From Visit to Australia

BK2708084296 *Vientiane VIENTIANE TIMES*
in English 16-22 Aug 96 p 1

[FBIS Transcribed Text] Foreign Minister Somsavat Lengsavat and his delegation recently visited Australia to further expand the relationship and economic cooperation between the Lao PDR [People's Democratic Republic] and Australia.

On the same overseas trip, the Lao Foreign Minister also visited New Zealand, after attending the 29th ASEAN Ministerial Meeting, which was held in Jakarta, Indonesia.

While in Canberra, Mr. Somsavat met with his Australian counterpart, Mr. Alexander Downer, and called on the Governor-General of Australia, Honorable Sir William Deane.

The Lao foreign affairs delegation also met with the deputy director general of Australian Aid (AUSAID), Dr. Peter McCawley.

During the meetings, they discussed international issues in the United Nations among other subjects.

The Australian officials informed the Lao delegation that Australia will continue to provide assistance and cooperation for development to Laos. In particular,

Australia will help train Lao officials to prepare Laos to become a member of the Association of Southeast Asian Nations (ASEAN).

The Australian officials also are interested in the Mekong Basin development.

The foreign minister also met with executives of Australian firms which have invested in Laos, including John Holland, Transfield, and CRA.

The Lao foreign affairs delegation was in Australia from July 27- 31. After that, it visited New Zealand until August 4.

Laos: PRC Trade Delegation Ends Visit, Keen on Investing

BK2608125996 *Vientiane KPL in English*
0959 GMT 26 Aug 96

[FBIS Transcribed Text] Vientiane, August 26 (KPL) — Last Friday, Vice Premier Mr. Khamphoui Keoboulapha met a Chinese delegation to discuss the possibility of stronger trade ties in the future.

Mr. Keoboulapha was informed by head of the Chinese delegation, Mr. An Chengxin, vice president of the China Council for the Promotion of International Trade (CCPIT) that China is happy with the real progress that is being made on bilateral cooperation in trade and investment between the two countries.

China is apparently keen on investing in Laos due to Laos' rapidly growing economy its potential in natural resources.

Mr. Keoboulapha used the occasion to express his appreciation of the Chinese delegation's visit, and his personal hope that multilateral cooperation, especially in general investment, and investment between the provinces along the mutual border. [sentence as received]

Before meeting with the vice premier, at the office of the State Planning Committee, Mr. An Chengxin and his delegation met with Mr. Lian Thikey, deputy minister of commerce. Their talks dealt with China-Lao trade relations.

On August 24, a reception for the delegation was held at the Dokmai Daeng hotel. On that occasion, three Lao speakers gave lectures on domestic and international policies of the Lao government, communication and telecommunication, and the investment in Laos by foreign residents.

The Chinese delegation left for home this morning.

Laos: Road To Link Khammouane With Vietnam's Quang Binh

BK2208090396 *Vientiane KPL in English*
0912 GMT 21 Aug 96

[FBIS Transcribed Text] Vientiane, August 21 (KPL) — The central Khammouane Province and the Vietnamese Quang Binh have decided to link up their overland communication systems to make trade and travel between the two provinces easier.

The decision was made during the visit to the Lao Khammouane Province on August 9-15 by a top delegation of the Vietnamese Quang Binh Province. However, the decision will need to be approved by their central governments.

According to the decision, Road 12 in Khammouane and the Vietnamese Road 29 will be linked. The Vietnamese Road 20 will connect Gnommalat District of Laos with Vietnam. It has been agreed that Quang Binh will continue to build a bridge across Nam Gnom, in the District of Gnommalat. The bridge building work should be finished by the end of 1997.

During the visit, the provincial authorities signed a joint statement for increasing cooperation and mutual assistance in socioeconomic and security maintenance fields. The statement indicates that the parties will increase their trade volume with each other.

Laos: Vietnamese Party Delegation Arrives for Visit

BK2608124896 *Vientiane KPL in English*
0957 GMT 26 Aug 96

[FBIS Transcribed Text] Vientiane, August 26 (KPL) — A delegation of the cabinet of the Communist Party of Vietnam Central Committee, led by its head Mr. Phan Duyen, member of the Party Central Committee, arrived here on August 25.

The visiting delegation was scheduled to hold talks with a delegation of the cabinet of the Lao People's Revolutionary Party CC [Central Committee] (LPRP CC), call on the Lao leaders, and visit some of the party's organisations.

The visit to Laos by the Vietnamese delegation was in response to the invitation of the cabinet of the LPRP CC.

Laos: Tripartite Meeting on Integrated Development Held

BK2508131196 *Vientiane KPL in English*
0931 GMT 24 Aug 96

[FBIS Transcribed Text] Vientiane, August 24 (KPL) — The Lao Government, the ADB [Asian Development

Bank] and consultants to the project for integrated development of category-two towns held a tripartite meeting on the project here on August 22, under the chairmanship of Seun Phetsanghan, deputy-minister of communication, transport, post and construction.

The project will operate for five years with dollars U.S.25 million in funding from the Asian Development Bank.

The operation, to start in July 1997, will run in four category-two towns: Luang Prabang, Savannakhet, Thakhaek and Pakse. The work will include the renovation or construction of roads in urban areas, the improvement or construction of gutters, waste collection, waste water disposal systems, toilets, embankments and flood prevention measures.

The Asian Development Bank has granted U.S.D600,000 for the survey and design of the project. The survey and design are expected to be completed by the end of this month.

The meeting was attended by representatives of concerned departments and parties.

Thailand

Thailand: Cabinet Shake Ups Delay ASEAN Liberalisation Talks

BK2608062296 *Bangkok BANGKOK POST*
(BUSINESS Supplement) in English 26 Aug 96 p 3

[Unattributed report]

[FBIS Transcribed Text] The ASEAN Finance Ministers' Forum and the spirit of cooperation needed to speed up financial liberalisation have both been put on the back burner as a result of Cabinet shake-ups in the past year, according to a senior source in the Finance Ministry.

The forum, a panel set up to allow ASEAN finance ministers to exchange ideas about financial and economic matters, was initiated during Surakiat Sathianthai's term as finance minister.

He tentatively scheduled a meeting with his ASEAN counterparts for the first week of August.

However, a shuffle in May led to his ousting and the portfolio was passed on to Bodi Chunnanon, the former Finance Ministry permanent secretary.

Mr. Bodi announced the meeting would be delayed until October and the Cabinet later pushed back the forum to November.

The source said holding the forum was key to speeding up the liberalisation of financial services among ASEAN member countries.

Thailand would prefer to see the ASEAN bloc free up financial services among its own members rather than open up these services worldwide as has been proposed under the General Agreement on Trade in Services (GATS).

ASEAN's efforts in this area have also been hindered by the slow progress of a working group of senior economic officials.

At a meeting eight months ago, the ASEAN economic ministers asked the working group to spend 18 months looking at ways to liberalise ASEAN financial services.

However, the group has so far not come up with any clear stand on the issues and members don't seem to be able to cooperate.

Thailand: Protectionism Thwarts ASEAN Service Liberalisation

BK2608062196 Bangkok THE NATION in English
26 Aug 96 p B2

[Report by Nitsara Sihanam]

[FBIS Transcribed Text] ASEAN officials last week failed to come up with concrete plans for liberalise regional services because of the desire by ASEAN nations to protect their domestic markets.

Thai officials said most ASEAN countries still want to protect their domestic services. Nonetheless, officials have agreed to pursue talks on a cross-sectoral approach after they found the sectoral approach to negotiations did not work, since the services are all linked with one another.

Last week, ASEAN officials met to discuss the creation of concrete preliminary action plans for service sector liberalisation, in order to propose them at the ASEAN Economic Meeting [AEM] in Jakarta this September. ASEAN leaders agreed last December to discuss ways of opening up various sectors of the service industry.

These include the financial sector, banking, telecommunications, tourism, air transport, maritime transport, professional business services, and the construction sector.

Prime Minister Banhan Sinlapa-acha, host of the ASEAN summit, proposed accelerating negotiations to liberalise the finance and banking, telecommunications and tourism sectors.

Phiphat Intharasap, deputy permanent secretary of the Commerce Ministry and a member of the ASEAN Service Sector Cooperation Committee, said the committee

has already had five rounds of talks regarding service liberalisation.

The committee at the Office of the ASEAN Secretariat in Jakarta, last week reviewed every ASEAN request and offer list for promoting service liberalisation to be considered by ASEAN economic ministers at the upcoming AEM meeting.

However, many ASEAN officials attended the meeting intending to protect their domestic advantages and did not propose an initial offer list for the AEM meeting.

For instance, Indonesia and Malaysia did not live up to ASEAN expectations. They failed to offer any liberalisation of their tourism sectors.

They rejected an ASEAN proposal to exempt tax relating to tourism activities, which Thailand had already done in order to comply with ASEAN requirements.

ASEAN countries discussed every sector in detail but did not reach preliminary conclusions in all of them.

Thailand: Caution Urged on Admission of Burma to ASEAN

BK2608045596 Bangkok THE NATION in English
26 Aug 96 p A4

[Article by Kawi Chongkitthawon: "ASEAN Wrestles With the Burma Conundrum"]

[FBIS Transcribed Text] The Association of Southeast Asian Nations (ASEAN) is moving towards the full integration of all 10 Southeast Asian countries next year, three years earlier than envisaged in the time frame set by the ASEAN Summit in Bangkok last December.

Even though it was the dream of the founding fathers to see all 10 Southeast Asian countries together when they met in August 1967 to form ASEAN, the move could have far-reaching impacts for the much-respected regional organisation.

Malaysian Prime Minister Mahathir Mohamed has become the first ASEAN leader to endorse Burma's membership by next year, together with Laos and Cambodia.

In July 1995, the latter two expressed their intentions to join ASEAN in 1997 and since then they have diligently prepared for membership. In the case of Burma, however, it is more of a show for Machiavelli.

It was no coincidence that Gen. Than Shwe, chairman of the State Law and Order Restoration Council (SLORC) and Defence Minister, went to Kuala Lumpur and conferred with Mahathir, whose country is serving as the chairman of ASEAN.

Malaysia was the general's first destination after Burma was admitted as an observer last month at the annual ASEAN meeting in Jakarta.

Shwe used the opportunity to submit an official application for ASEAN membership to Malaysia, but without referring to a specific timeframe. With such a move, Rangoon has now placed the ball in ASEAN's court. Last month, Foreign Minister Ohn Gyaw said clearly that Burma is ready to become an ASEAN member whenever ASEAN is ready to accept it.

Burma's future ASEAN membership is a complicated issue that has direct bearing on the group's dignity and international standing.

Under the banner of POI (the Policy of Non-Interference), ASEAN has so far adopted a hands-off policy towards the repression in Burma.

Despite the assurance by ASEAN that there is no obstacle to Burma joining ASEAN, it is an open secret that Burma's current political situation and the continued repression could embarrass ASEAN if the grouping decides to include it next year.

The issue of Burma's integration with ASEAN was the major topic during the discussion between ASEAN and its dialogue partners — they wished ASEAN to play a more active role in encouraging the policy of national reconciliation between the SLORC government and the National Democratic League led by Aung San Suu Kyi.

Although ASEAN countries still maintain the POI, the next few months will be crucial to determine the overall support of ASEAN member countries for Burma's inclusion.

Obviously, if there is no genuine progress in the dialogue process between the government and the opposition, it would make it harder to admit Burma next year as it would cause an outcry in the international community and most importantly, taint the image and credibility of ASEAN.

For the time being, ASEAN has rejected attempts by the West to improve the political atmosphere in Burma. Canada's proposal calling for the setting up of a contact group was dismissed outright last month by ASEAN.

The idea was aimed at bridging the gap between ASEAN, which supports Burma's integration and the West, which wants more political pressure and possibly sanctions imposed.

Be that as it may, Burma, which has been living in self-reliant isolation until recently, has suddenly improved its position vis-a-vis ASEAN and the rest of the world.

Indeed, it is a "win-win" situation for the SLORC leaders.

As of now, Burma would not be particularly concerned if ASEAN decides that its membership should be postponed for whatever reason. Then 1998 would be a more likely date for Burma's membership.

As far as Rangoon is concerned, it has already attained all of its objectives by maximising its ties with ASEAN as an observer and winning inclusion to the ASEAN Regional Forum. Its illegitimacy has also been fading as the SLORC leaders move into the mainstream of ASEAN.

Ironically, now it is ASEAN's dilemma, not Burma's, whether the grouping would welcome the country now or later.

True to their refined survival instincts, the SLORC leaders were smart leaving the door open for ASEAN to integrate them, but leaving out the time frame, so the latter feels comfortable.

But ASEAN must be firm, through its quiet diplomacy or through whatever means, so that SLORC understands that progress on a dialogue with the opposition is an important issue. Failure to do so, and SLORC will continue to use any and all measures to undermine, if not annihilate, the opposition.

Fulfilling the wish of ASEAN's founding fathers is a noble cause. But the achievement of ASEAN's enlargement must not come at the expense of the Burmese peoples' aspirations for an open and civil society.

Thailand: Guidelines on Indirect Election of Charter Writers Approved

BK2408111396 Bangkok BANGKOK POST in English 24 Aug 96 p 1

[Report by Suphawadi Susanphunthong]

[FBIS Transcribed Text] The government turned the constitutional amendment issue to its favour for the second time in two days yesterday by pushing through its guidelines on the indirect election of charter writers.

Its proposal that local administration organisations take part in the selection of writers was approved by the parliamentary scrutiny panel chaired by political scientist Chai-anan Samutthawanit.

Earlier, the government seemed to be fighting a losing battle for passage of its bill to amend Article 211 of the Constitution to make way for the drafting of a new constitution.

But it managed to regain ground at a parliamentary debate on Thursday after successfully pushing for a

merger of its draft with a revised version of the Chai-anan panel.

The Chai-anan bill had won strong support from the Opposition, a number of senators and pro-democracy and civil groups because it requires the direct election of writers.

Aware it was at a disadvantage, the government called for a combination of good points of two bills.

After a debate on whether writers should be elected or appointed, Parliament finally opted for the third choice of indirect election of members to the Constitution Drafting Assembly.

The government was also able to maintain its principles of having Parliament screen and approve the draft charter and having the Parliament president submit the draft to His Majesty the King for endorsement.

The Chai-anan bill bypasses the authority of Parliament in approving the draft. It proposes the draft be submitted directly to the King for approval by the chairman of the Assembly.

After Parliament reached a compromise on the two bills, the Chai-anan panel proposed people in all 76 provinces can apply for seats in the Assembly. They will then elect 228 among them to be narrowed down to 76 by Parliament.

The assembly will have 99 members. The remaining 23 will be selected by Parliament from among academics who also will have to apply and vote among themselves first.

Panel members, mainly from the coalition Chat Thai and New Aspiration parties, supported the proposal that representatives of municipalities, sukhaphiban committees, tambon administration organisations, tambon councils and provincial administration organisations in each province vote together with all candidates to elect three.

Lists from all provinces will be sent to Parliament which will vote for one of three from each province.

A number of panel members, mostly from the opposition Democrat Party, however, preferred the original proposal that all candidates vote to elect 228 people, or three times of the number of 76 charter writers, to the so-called National Assembly. Parliament will then elect 76 of them regardless of their provinces.

Another group, meanwhile, agreed with a proposal from New Aspiration MP Chaturon Chaisaeng that candidates vote twice to prevent them from pouring points on any particular people.

According to Mr. Chaturon, all candidates must gather in Bangkok and vote for 684 people (three times 228)

and the 684 will then elect 228 from among themselves. Parliament will select 78 of them.

The first choice won a majority of 12 votes, mainly from the government camp. Two members of the Opposition, Solidarity MP Somsak Khun-ngoen and Chat Phatthana MP Prasop Butsarakham, also supported this principle.

Seven voted for the National Assembly principle. They were Democrats Chamni Sakdiset, Suthep Thuaksuhan, Witthaya Kaeparadai and Khunying Suphattra Matsadit and three academics.

Thailand: Prime Minister Denies Trying To Avoid Censure Debate

BK2408115496 Bangkok BANGKOK POST
in English 24 Aug 96 p 3

[Report by Yuwadi Thunyasiri]

[FBIS Transcribed Text] Prime Minister Banhan Sinlapa-acha yesterday denied that he is trying to escape the Opposition-sponsored censure debate against him by using the constitutional amendment issue as an excuse.

He said he preferred to see the issue concluded first as he considers it very important, adding that it would take 15 days before the amendment bill is deliberated during the second reading.

The censure debate against the premier was tentatively scheduled for September 11. But Government spokesman Somsak Pritsananthakun said it was likely to be postponed until September 25 because of two international parliamentary meetings from September 15 to 21 in Phuket, and from September 16 to 21 in Beijing.

He then told reporters later that Cabinet Secretary-General Wisanu Khrua-ngam had notified Parliament President Bun-au Prasetsuwan that Mr. Banhan was prepared for the censure debate to take place on September 18.

PM's [Prime Minister's] Office Minister Piyanat Watcharaphon said the premier has the right to decide when the most appropriate time is for him to be questioned in Parliament.

He said the premier is right in wanting to see the proposed constitutional amendment passed before he faces the planned censure debate.

But Opposition leader Chuan Likphai questioned what many believe is no more than an attempt by the government to buy time to dodge the debate.

The premier, he said, does not plan to visit any foreign countries so there is no reason for him to delay the debate.

Mr. Chuan said he would discuss the debate and its exact date with the Parliament president by mid next week.

Thailand: Sano Thianthong Prepares Banhan's Defense for Censure

BK2508111696 Bangkok THE SUNDAY NATION
in English 25 Aug 96 p A3

[Unattributed report]

[FBIS Transcribed Text] Chat Thai Secretary-General Sano Thianthong has been appointed chief strategist behind the preparations of Prime Minister Banhan Sinlapa-acha's defence for the up-coming no-confidence debate, Sano said yesterday.

Sano's announcement indicated that the Chat Thai secretary-general had ironed out his long-simmering differences with the party leader over the post of interior minister.

"The prime minister assigned me to head a working committee to prepare information for answering the opposition's charges during the debate," Sano said. "I'll do my best but it will depend on the situation during the debate."

Earlier, Sano and Banhan clashed over the post of interior minister. At the height of the conflict last month, Sano stopped talking to the prime minister until other coalition leaders stepped in to guarantee that Banhan would resign as interior minister to pave the way for Sano late this year or early next year.

But after the pullout of the Phalang Tham Party (PTP) this month, a Cabinet reshuffle is expected to take place soon to reinstate leading members of the Thot Thai faction to the Cabinet.

As a result, the stakes are high for Sano as he tries to keep the Banhan coalition from collapsing in the censure showdown — which the opposition threatens will be a tough fight for the prime minister.

Sano said the opposition's no-confidence motion was too harshly worded. "I've never seen a motion which accused a government leader as harshly as this one does," Sano said.

"Banhan was elected. He was entrusted by the people to govern the country, so severe attacks (on Banhan's abilities to govern) can only taint the country's image. The motion has made it seem as if the country gave the post of prime minister to an evil person.

"I think some convicted prisoners who were given death sentences were not accused as strongly as Banhan (has been) in the motion."

Parliament President Bun-ua Prasetsuwan yesterday agreed the accusations against the prime minister were too severe. "In my long political life, I've never seen anything as severe as this," Bun-ua said.

"If the accusations were real, Banhan could never have become even an ordinary minister, let alone the prime minister."

The date of the censure debate has not yet been set.

Initially, coalition and opposition whips agreed to set Sept 11 as the date, but the government indicated it will be free for the debate on Sept 25. Sano said yesterday that the debate might be held on Sept 18 if the prime minister is free.

Democrat MP Churin Laksanawisit yesterday reiterated that the opposition suspects Banhan wanted to buy time by postponing the debate until late next month. Churin said the debate should be held two or three weeks after the opposition submitted the motion, which it did last week.

"It would be too long for the debate to be held more than a month after the motion was filed. It would show that the government wanted to delay the debate," Churin said.

PTP leader Thaksin Chinnawat, meanwhile, said he hoped the debate would be held as soon as possible. "The debate is very important because the people are eagerly waiting for it," Thaksin said.

Democrat MP Samphan Thongsamak said yesterday he suspected that Banhan wanted to delay the debate because he was not sure whether his daughter and Chat Thai MP, Kanchana Sinlapa-acha, would be able to answer charges about a controversial land deal.

Kanchana has been accused by the opposition of using inside information to buy a plot of land cheaply and then of selling it at a high price to the Bank of Thailand, as well as having evaded paying taxes in the deal.

"I suspect Banhan was behind the land deal himself but used his daughter as a front. Now he wants to delay the debate because he fears the showdown will become his daughter's demise," Samphan said.

He said he also suspects that the government will later produce more excuses to further delay the debate until the current sitting's final session on Oct 9.

Thailand: Editorial Urges People's Involvement in New Constitution*BK2608152396 Bangkok NAO NA in Thai
26 Aug 96 p 3***[Editorial: "Watch Out!"]**

[FBIS Translated Text] After the parliament adopted a resolution on 22 August opting for an indirect election of the constitution drafting committee the extraordinary committee on constitutional amendment held a meeting the following day to work out the number and method for the election of constitution writers. As a result, the majority voted for the selection of the charter writers by the local administrative organizations of the provinces.

The extraordinary committee proposed two options at the start: selection of three representatives from each province and the screening of the total number proposed by the provincial committees down to 76 by the parliament; or application by qualified candidates at their provinces of residence and the screening by the provincial committee made up of members of the local administrative organizations, or the tambon councils, down to only three from each province and a final selection of 76 by the parliament.

Phiraphan Phalusuk, a Chat Thai Party committee member, wanted the decision reviewed. He proposed that local administrative organizations choose three representatives from each province for a final selection by the parliament. Phokin Phonlakun, another committee member from the government camp, supported Phiraphan's proposal for the reason that the selection of tens of thousands of candidates from throughout the country would be too complicated. Most on the extraordinary committee agreed with this.

In fact, the selection of constitution drafters based on the above proposal will rely heavily on the parliament at the final stage. At the beginning, however, those who really have the say are the local administrative organizations. It is also likely that provincial governors may be asked to give final approval to the selection of representatives to the constitution drafting body. If this is the case, the policy and purpose of political reform must be completely distorted.

In the eyes of the general public, the image of the local administrative organizations is no different from that of the group of national politicians we have now. Moreover, the power of the local administrative organizations will inevitably put the people under the Interior Ministry's influence. The government may assume that it has come up with a legitimate resolution under the parliamentary system that will set the direction of the political reform to its liking. As for the people,

however, they are aware of the fact that the person who is drafting the law will only make the law serve his purpose.

If the opportunity for the people to use their hands to write a constitution to chart a better course for their future is blocked, they may be forced to take to the street. So watch out.

Thailand: Senate Approves 1997 Draft National Budget Bill*BK2408110996 Bangkok Radio Thailand Network
in English 0000 GMT 24 Aug 96*

[FBIS Transcribed Text] The Senate during its meeting yesterday approved the 1997 draft national budget bill which had earlier sailed through the House of Representatives. Chairman of the Senate Extraordinary Committee on Budget Scrutiny Thawi Nunphakdi told the meeting that the 984,000 million baht national budget for the 1997 fiscal year was a balanced one and drafted in line with the government's policy. The bill will be effective on 1 October 1996.

Several senators remarked that the budget bill places emphasis on construction projects, such as road construction and the digging of ponds, while the people's occupational promotion received less attention. The senators called for the follow-up on the use of national budget in accordance with the government's intention. They said government officials who are corrupt or those who misuse the budget must be punished. Some senators called for the reduction of the so-called MP (member of the parliament) development fund which is used for provincial development. They said that Tambon or community councils had so far been set up, therefore the MP development fund is no longer necessary and it would be used by MPs to boost their popularity among the people in their constituencies. Some senators expressed their disappointment saying that the budget for the promotion of agricultural occupations is less than that offered to a foreign country as assistance. They urged the government to increase budget for agricultural career development so that farmers can produce more for exports as well as for local consumption.

Thailand: Foreign Ministry To Organize Embassy Economic Seminar*BK2508111896 Bangkok BANGKOK POST
in English 25 Aug 96 p 3***[Unattributed report]**

[FBIS Transcribed Text] The Foreign Ministry will organize an economic seminar for officials of Thai Embassies and consuls around the world starting tomorrow

until September 6 at the Royal Orchid Sheraton Hotel, a senior official said.

Foreign Ministry Director-General for Economic Affairs Kopsak Chutikun pointed out that it is the first time in the past 120 years that officials overseeing economic affairs are coming together to discuss ways to improve the economy and its integration into the new world economic order.

At least 75 officials from 54 Thai Embassies and consuls across the globe will attend the seminar.

The seminar will discuss the vision for the economy in the year 2000 to 2020, the target and strategy for exports and the investment direction.

Mr. Kopsak said Thailand would further emphasise an aggressive economic policy that would aim to open new export markets for Thai goods in Latin America, South Africa, the Middle East and South Asia and expand its existing ones in North America, Europe and Northeast Asia.

Foreign Minister Amnuai Wirawan will preside over the seminar. The speakers will include academics and private sector representatives.

Vietnam

SRV: Hanoi Criticizes New U.S. Government Radio Service

*BK2608142996 Hanoi Voice of Vietnam in English
1000 GMT 26 Aug 96*

[Station commentary]

[FBIS Transcribed Text] A new American government radio service is scheduled to begin broadcasting to several Asian countries next month. Initially, the radio service—called the Asia Pacific Network, APN—will start broadcasting in Mandarin seven hours a day. By the end of the year, it hopes to be broadcasting in seven other Asian-Pacific languages, including Vietnamese, Lao, and Cambodian.

The broadcast in Vietnamese will be two hours a day, but for whose interest does the radio serve? Following are our views of the issue:

According to the U.S. press, the idea to establish such a radio was formed a decade ago as the U.S. Government realized the vital psychological impact of the collapse of the former Soviet Union and the Eastern European Bloc had in the 1990's. Now they want such an event to occur in Asia. According to Asia-Pacific network specialists, APN will have a strong impact on listeners on the Internet or the computer information superhighway that the Asian governments want to control. Therefore, APN

will have various kinds of programs. The chairman of the APN radio affirmed that the radio would provide listeners with the cultural and literary programs. The U.S. Government is committed to assisting the radio with \$10 million annually.

The Vietnamese people admired and selectively accept mankind's civilization and world culture to enrich their old tradition, but they never accept any culture or literature which might harm the country's tradition. Vietnamese people and other Asian people do not need such culture or literature. The APN radio will broadcast what is banned and boycotted by the host countries, governments, and people. By so doing, APN radio is attempting to undermine the peace, stability, and the healthy development of culture and literature of Vietnam and other Asian nations. It is obvious that such a move cannot be achieved because the Vietnamese people have persistently viewed their chosen path to build and develop their country while preserving the traditional characteristics of the country's culture. It is expected that the Vietnamese program of the APN radio will not fall into the beaten tracks of former hostile radios against Vietnam.

SRV: Journalist, Lawyer Delegations Visit Laos

*BK2608152696 Hanoi VNA in English
1248 GMT 26 Aug 96*

[FBIS Transcribed Text] Hanoi VNA August 26 — A delegation of the daily HANOI MOI led by its Deputy Editor-in-Chief Cong Nghia Hoan paid a working visit to the Lao daily VIENTIANE MAY from August 17-24.

The visit was made in the framework of an annual professional exchange and cooperation program.

The delegation was warmly received by the Deputy Director of the Lao Journalists' Association and the Editor-in-Chief of the daily VIENTIANE MAY, Mr. Malachone Lot Outhoum who introduced new development at the daily after 21 years of establishment.

While there, the Vietnamese guests toured economic, social and cultural establishments such as the cultural and information service and the Vientiane printing house.

The delegation also called on Mr. Khampane Philavong, politburo member of the Lao People's Revolutionary Party Central Committee and Secretary of the Vientiane Party Committee. After comparing notes on cultural, economic, and social activities, and advantages and disadvantages of the market economy Mr. Khampane Philavong expressed his wish that the two dailies would further strengthen their cooperation, mutual assistance,

and exchange experience to improve their professional standard and political quality.

A delegation of the Vietnam Supreme People's Court led by its Vice Chairman Quan Trong Cong has paid a working visit to Laos since August 14. The delegation called on the Lao Justice Minister and the Inspector of the Lao Supreme People's Inspectorate and had working sessions with inspectors of the Vientiane and Luang Prabang People's Inspectorates. They exchanged views on strengthening the relationship and cooperation between the two court services and legal agencies.

The delegation was also received on August 21 by Khambou Sounixay, member of the Lao People's Revolutionary Party Central Committee and chairman of the Legal Commission of the Lao Legislature.

SRV: Chinese Army's Chief of General Staff Begins Visit

*BK2608161396 Hanoi VNA in English
1512 GMT 26 Aug 96*

[FBIS Transcribed Text] Hanoi VNA August 26 — Chief of the General Staff of the Chinese People's Liberation Army, Senior Lieutenant General Fu Quanyou arrived here today, beginning an official visit to Vietnam.

Shortly after his arrival, Senior Lt. Gen. Fu Quanyou was greeted at the Ministry of National Defense and then received by his Vietnamese counterpart Lt. Gen. Pham Van Tra, who welcomed the Chinese high-level military delegation's visit as a vivid manifestation of the friendly relations between the two peoples and armies. The two sides also compared notes on issues of mutual concern.

Senior Lt. Gen. Fu Quanyou said he believed that this visit would further promote the bilateral friendship and enhance mutual understanding between the peoples and armies of Vietnam and China.

A banquet was given by Lt. Gen. Tra, and arts performance organized this evening in honor of the Chinese Army's Chief of the General Staff and his entourage.

SRV: ROK National Assembly Chairman Begins Official Visit

*BK2608161096 Hanoi VNA in English
1515 GMT 26 Aug 96*

[FBIS Transcribed Text] Hanoi VNA August 26 — A delegation of the National Assembly of the Republic of Korea led by its Chairman Kim Soo-Han arrived here today for an official visit to Vietnam.

The delegation was welcomed at the Presidential Palace by National Assembly Chairman Nong Duc Manh and his wife, Head of the National Assembly Office Vu Mao, the Deputy Head of the National Assembly Commission for External Relations, Deputy Head of the National Assembly Commission for Economy and State Budget, and many other Vietnamese National Assembly senior officials.

Chairman Manh highlighted the ROK National Assembly delegation's Vietnam visit as vivid manifestation of the friendship and cooperation between Vietnam and the ROK, and expressed his wish for further consolidation and development of the friendship between Vietnam and South Korea in the interests of the two nations, the region, and the world at large.

Mr. Kim Soo-Han expressed his pleasure at his first Vietnam visit and at great achievements recorded by the Vietnamese people in the past years. He said he hoped that through this visit the friendship between the two legislatures and peoples would be further developed in the future.

SRV: Nong Duc Manh Meets Visiting Counterpart From ROK

*SK2608124896 Seoul YONHAP in English
1212 GMT 26 Aug 96
— Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Hanoi, Aug. 26 (YONHAP) — Korean National Assembly speaker Kim Su-han, now on an official tour here, conferred with his Vietnamese counterpart, Speaker Nong Duc Manh, Monday afternoon.

At the exclusive meeting held at Manh's office, the two parliamentary leaders discussed ways to further promote goodwill between the two countries and the issue of promoting parliamentary exchanges in a manner that can be of help to the improvement of inter-Korean relations.

Speaker Kim, in particular, explained about South Korea's efforts to improve ties with North Korea and asked Speaker Manh to cooperate in enabling the North Korean parliament to take part in the Inter-Parliamentary Union (IPU) meeting slated for next April in Seoul.

Tuesday Kim is set to pay courtesy calls on Vietnamese President Le Duc Anh and Vietnamese Communist Party General Secretary Do Muoi.

Speaker Kim flew into Hanoi Monday afternoon for a four-day official visit from a three-day tour of Singapore. Prior to the Singaporean trip, he visited Australia.

SRV: Radio Cites Contributions of Overseas Vietnamese

**BK2308151596 Hanoi Voice of Vietnam in English
1000 GMT 23 Aug 96**

[FBIS Transcribed Text] Overseas Vietnamese now account for 2.3 million people. They have made important contributions to national development in Vietnam. Our radio correspondent now brings you a review of activities of overseas Vietnamese in recent years.

From the United States of America, the overseas Vietnamese of 1.4 million have made considerable contributions to country construction including politics, economics, science and technology, culture and society. Many overseas Vietnamese in America have succeeded in business. Many have become experienced experts in many fields, and some have great influence over their local government. The Vietnamese charge d'affaires in the U.S.A., Mr. Le Bang said that about 70 percent of the overseas Vietnamese in the U.S.A. supported the normalization of relations between Vietnam and the U.S.A.

Overseas Vietnamese have invested in 58 projects with a total capital of \$100 million in Vietnam. The biggest project in Dong Nai Province in South Vietnam, was invested by an overseas Vietnamese from the U.S. with an investment capital of \$21 million. Overseas Vietnamese from the U.S.A. also invested in other fields, such as healthcare, education, and construction in both Hanoi and Ho Chi Minh City.

Australia also has a sizable overseas Vietnamese community of about 200,000. Many are intellectuals and successful businessmen, and they all wish to contribute to national construction. In addition, overseas Vietnamese also live in many South-East Asian countries. Vietnamese residents living in Cambodia are still very poor, and their lives have not yet been legally protected.

In recent years, Vietnam has worked out a number of policies to create conditions for overseas Vietnamese to return home to visit their relatives, and to encourage them to contribute to national construction. For almost all overseas Vietnamese, Vietnam is still their beloved homeland.

SRV: Falling Inflation Rate Raises Fears of Slowing Growth

**BK2608041996 Hanoi VIETNAM INVESTMENT
REVIEW in English 5-11 Aug 96 p 1**

[Article by Phuong Van]

[FBIS Transcribed Text] Government officials say they are pleased with Vietnam's current record low inflation but fear it could be an early warning that after years of boom the Vietnamese economy might be slowing down.

The inflation rate has been negative in the last few months. The rate in May and June was -0.5 percent, and was -0.7 percent in July. The rate for the first six months was 3.3 percent cent, and the figure for the first seven months was 2.6 percent.

Figures for the first seven months signal that the government will meet its target of single-digit inflation for the year.

Although officials welcome the fall for its stabilising effect on socioeconomic development, some fear other unwelcome effects.

"Too low inflation is something unusual that needs careful consideration, otherwise it can cause bad effects to the country's production," Le Xuan Trinh, minister chairman of the Government Office said at a press conference.

"The negative inflation rate is not a good sign for the economy, it is stagnating production," said an official at the State Bank of Vietnam Economics Research Department. "The economy is cooling down and there are tears that supply, will exceed demand, causing gluts of some goods"

Dennis McCornac, an international economist who was recently a visiting professor at the National Economics University in Hanoi, said that too low inflation was, in general, a signal of a slowing economy. However, he added that it was too early to say from the past months' figures whether this was indeed the case in Vietnam.

"Though low inflation is positive for socioeconomic stabilisation and beneficial for consumers it is worrying producers," a State Bank report said. Businesses are being squeezed from both sides as profit margins narrow but taxes and overheads remain the same.

McCornac said he was not concerned about companies complaining about the current profit squeeze.

"They may see less profit on each unit of product but they can sell more as the lower prices create larger demand," he said.

Tran Xuan Gia, deputy minister of planning investment, who is has been working to bring inflation in Vietnam under control, said although he was concerned that the low inflation may affect the country's production, he did not think all production would be affected.

"Some even benefit from the low rate," he said. Producers of high-quality products, he said, are now enjoying low prices for raw materials but their products are still sold at high prices.

Gia said he was concerned that low inflation this year may affect the price index next year. As inflation rates are calculated by a percentage figure, cheap prices, this year may push the percentage of price rises calculated next year to a very high point, he explained.

"If it is the case, the inflation rate of next year will be much higher though prices do not increase much," he said.

SRV: Sustained Endeavors To Solve Unemployment Encouraged

*BK2508101796 Hanoi VNA in English
0540 GMT 25 Aug 96*

[FBIS Transcribed Text] Hanoi VNA August 25 — Vietnam is now confronting social pressures with the rate of unemployment growing faster in both urban and rural sectors in recent years. This problem remains a major concern of the whole society.

"At present, the unemployed account for more than six percent of the urban population (higher than other regional countries) while in rural areas where most of the people subsist on agriculture, about 30-40 percent of their working hours are not used and many are left jobless," said Mrs. Nguyen Thi Thu Trang, head of the Managing Department of the National Program for Job Promotion in an interview with NHAN DAN newspaper today.

In 1982, Vietnam set up a National Fund for Employment Generation following a decision issued by the Council of Ministers (now the government) in April '81, 1982. As a result, tens of thousands of people have benefited from soft loans given by the fund.

"By the end of July this year, 31,907 projects were loaned by the fund with 1,295 billion Vietnamese dong (over \$125 million) granted to create about 1.2 million jobs for people across the country. Another 9,521 schemes were given loans worth 399 billion Vietnamese dong (over \$39 million) from the fund's capital recovery", she added.

The department head added: "In 1992-95, more than 1.1 million people were provided with stable employment and one quarter of them were fund beneficiaries. These employees have increased their earnings by 15-20 percent. Those who are involved in the small industry and handicraft sectors or caged fish and dairy cow raising have earned 350,000-400,000 Vietnamese dong per month each."

The fund has integrated job creation into other local socio-economic development programs in order to change economic and labor structures in rural regions, especially in the agricultural sector. Hence, many tradi-

tional crafts and handicraft villages have been restored and developed.

In recent years, the fund has built 136 job-generating centers in various provinces and cities as well as mass organizations such as the Women's Union, the Youth Union, the Trade Union and the Peasants Association. These centers are functioning as a vocational center and as an employment introduction and consultancy service. To date, the fund has offered 44 billion Vietnamese dong (\$4 million) worth of technical equipment to these centers in favor of vocational training.

"More than 400,000 people have been trained at these centers while 500,000 unemployed and more than 300,000 others have been provided with job consultancy and introduction respectively to date," Mrs. Trang elaborated, saying:

"The National Fund for Employment Generation and its network of employment-generating centers nationwide will assume a crucial role in achieving the target of unemployment settlement set by the Eighth National Party congress in 1996-2000."

The goal adopted by the congress is to provide jobs for between 6.5-7 million people, bring the current rate of unemployment of more than six per cent down to five percent and increase the working time of rural laborers and farmers to 75-80 percent.

SRV: State President Tours Flood-Stricken Ha Bac Province

*BK2608094696 Hanoi VNA in English
0751 GMT 26 Aug 96*

[FBIS Transcribed Text] President Le Duc Anh inspected damage caused by floods in the northern province of Ha Bac last Saturday, expressing sympathy to people affected by water which broke through river dykes on the same day, following the effects of storm Niki the previous night.

The state president urged officials and local authorities to implement relief assistance to victims, and to stabilize their lives during his visit to Que Vo district and other areas that suffered from weak dyke protection on rivers running through the province, 35 kilometres north of Hanoi.

Rising waters in the Cau, Duong, Luc Nam, and Thuong rivers collapsed the dykes and flooded the two communes of Duc Long and Chau Phong. Around 720 hectares of rice paddies and crop were wiped out, but no casualties were reported.

Tropical storm Niki, which also hit northern provinces last Thursday night caused heavy losses in Vinh Phu,

Ninh Binh, Thanh Hoa and Thai Binh provinces. According to initial reports, the storm killed 12 people (seven in Vinh Phu, two in Ninh Binh, two in Thanh Hoa and one in Thai Binh) and damaged 901 houses, 48 class rooms and 300 electricity poles. About 2,076 hectares of rice crops were completely ruined. In Thai Binh province alone, 38 boats and a 100-tonne ship were sunk and 56,890 cubic metres of dykes eroded.

The capital, Hanoi, faced a serious shortage of clean water with the flooding of the Red river which put 21 water wells out of operation. It is estimated that the water shortage will continue for some days before wells are repaired. Total losses caused by storm Niki have yet to be determined.

SRV: Noi Bai International Airport To Have Modern Terminal

BK2508101596 Hanoi VNA in English
0521 GMT 25 Aug 96

[FBIS Transcribed Text] Hanoi VNA Aug 25 — The prime minister has given the green light to the northern airports authorities to go ahead with a proposed plan with the German group Thyssen to supply capital and equipment for the Noi Bai international airport terminal.

The airport's Terminal No.1 has been under construction for nearly one year now as part of a huge project to expand and modernize Hanoi's international airport to meet the growing demand in air traffic in the coming years.

Further talks with Thyssen are to be held to finalize detailed terms of the approximately \$20 million contract to install modern equipment for the first phase, which is expected to commence in the second quarter of next year and be complete by the end of 1997. Total investment for this phase is estimated at \$50 million, with \$32 million coming from the state budget.

The second phase of the project is scheduled to be complete in 2000, with the airport then able to handle four to five million passengers per year. Construction of the third phase is expected to be complete in 2005 to raise the airport's annual capacity to seven million passengers as against 2.5 million in late 1997.

When completed, Noi Bai airport will have a five-story terminal equipped with new airbridges and advanced lifts. Four airbridges (7 are expected) to be put into use by the end of 1997.

Australia

Australia: Canberra Endorses China's Entry Into WTO

BK2608142196 Sydney THE AUSTRALIAN FINANCIAL REVIEW in English 12 Aug 96 p 10

[Report by Michael Dwyer]

[FBIS Transcribed Text] Australia has followed the lead of the European Union and endorsed transitional arrangements for China's entry into the World Trade Organisation.

The Minister for Trade, Mr Tim Fischer, said Australia recognised that China's economic structure meant "innovative solutions" may be needed in negotiations over its accession to the WTO.

But Mr Fischer said Australia would still insist on some trade liberalisation commitments as a minimum requirement for China's long-awaited entry to the WTO.

The move by Australia to endorse plans, which may see China enter the WTO through a transitional deal, comes in the lead-up to the organisation's first ministerial level meeting, which takes place in Singapore in December.

There has been a strong push within the global trading community to use the Singapore meeting in December to accelerate plans for China's entry into the WTO, which have been under way for close to a decade.

The move by Australia comes only weeks before both the Minister for Foreign Minister, Mr Alexander Downer, and the Minister for Trade, Mr Tim Fischer, are due to make their first visits to Beijing.

It also signals that Australia is willing to take a softer stance on China's entry to the WTO than the US, which many observers claim has been using the issue for domestic political reasons in the lead-up to the presidential election in November.

Speaking to the Western Australian Chinese Chamber of Commerce on Friday [9 August], Mr Fischer said there were several issues which Australia still wanted settled before it would agree to China's entry into the WTO.

These included better offers on wool, wheat, barley, sugar and rice, as well as an overall market access schedule which included formalised commitments which would provide security for trade to expand.

But Australia has now made clear that it is prepared to accept transitional arrangements from China for some of the formal commitments which go with WTO membership.

"China's participation in the WTO would send a strong signal about its interest in engaging closely with the rest of the world and with our region," Mr Fischer said.

China submitted a revised draft individual action plan for trade liberalisation which reflected the steps it needs to accede to the WTO at a meeting of APEC trade ministers in Christchurch in July.

But Australia is still pushing China to go further in specific market access areas.

Australia's bilateral negotiations with China over its entry into the WTO involve a list of 1,100 items, of which around 170 are viewed by the Department of Foreign Affairs and Trade as "key items".

Although market access for commodities like wool dominate these negotiations, Australia is also pushing for better market access for service industries like banking, insurance and value-added telecommunications.

But China's talks with the US still dominate the debate over its entry into the WTO, with Beijing claiming that Washington is holding up its accession for political reasons.

The EU has been attempting to overcome this stalemate in negotiations between Beijing and Washington with a new plan to accelerate China's entry, and Australia now appears to have given its conditional support for the proposal.

The EU plan would require Beijing to reduce tariff levels as a sign-on commitment to the WTO, with substantial reform of China's state trading companies also required from the start.

But subject to comprehensive negotiations involving all WTO members, some other requirements for WTO membership would be phased in by China.

Australia: Trade Pact Sparks Human Rights Dispute With EU

BK2608142796 Sydney THE AUSTRALIAN FINANCIAL REVIEW in English 8 Aug 96 p 15

[Article by Fred Brenchley: "Trade Agreement Prompts Human Rights Row"]

[FBIS Transcribed Text] Australia and the European Union are caught in an unusual dispute. Unusual because the issue at stake—basic human rights—is normally in motherhood category for both.

Australia is objecting to the EU including in a new framework agreement between the two a seemingly innocuous clause pledging compliance with the UN Universal Declaration of Human Rights.

Australia says a framework agreement on trade and co-operation is no place for a human rights commitment. The EU says that without it there will be no framework agreement.

With negotiators signing off on some two-thirds of the new framework agreement, human rights could yet be a deal-breaker. Both sides appear committed to finding a solution to the stand-off, but as yet none is in sight.

The danger for Australia is that the dispute, coming on top of Keating's Asianisation and recent events in Burma and Indonesia, fosters a cynical EU view of a country less concerned with human rights while aspiring to be part of Asia.

Naturally, Australia denies this, pointing out that Canberra has signed more human rights protocols than most European nations.

Yet the recent failure to condemn President Suharto's crackdown on opposition parties is a far cry from the days when Labor's Senator Chris Schacht rattled the bars of Chinese prisons.

While a more realpolitik approach than the Schacht style was inevitable, the EU dispute appears to move Australia to the other end of the spectrum. It's not that Australia is opposing human rights. Asian, or indeed Aboriginal issues, have not been raised in negotiations.

The issue at stake on both sides is one of principle: whether a human rights commitment should be included in the new framework agreement.

Apart from trade, the agreement, which aims at giving a legal basis to the Australia-EU relationship, will also cover co-operation in industry, employment, training and consumer protection. It will also be accompanied by a declaration on political co-operation.

The EU has numerous such agreements with other countries. Last year the EU's Ministerial Council decreed that all such agreements contain a standard commitment of both sides to basic human rights.

Article one of the draft framework agreement with Australia says both sides will respect "democratic principles and basic human rights as proclaimed in the Universal Declaration of Human Rights". Moreover, respect for democracy and basic human rights will "underpin the internal and international policies of the (European) Community and Australia".

The draft says that if either side fails to fulfil, the other party may take unspecified "appropriate measures", but not before discussions to reach a solution, except in "circumstances of special urgency".

"Circumstances of special urgency" are defined in interpretive sections of the draft as meaning a material breach, repudiation or violation of the essential elements of the agreement.

The EU says it does not envisage any such problems with Australia. This sanction clause is aimed at any Tiananmen Square-type situation in which the EU could suspend all co-operation against the offending country.

That's not Australia's view. From Canberra's perspective, the human rights clause and its possible sanctions allows the EU to suspend the agreement and possibly invoke other actions on a unilateral judgement on possible human rights abuses in another country.

The unspoken fear is obviously that disaffected Aboriginal groups or other non-government lobbyists could persuade the EU to take action against Australia. Canberra suggests that such human rights commitments be concentrated in the UN, but Brussels has made it very clear that a human rights clause is non-negotiable.

Canberra appears to have accepted that human rights cannot be removed from the framework agreement. The EU Ministerial Council requiring human rights clauses in all bilateral agreements makes this impossible.

Negotiations now centre on the parameters of the clause, and how any actions under it could be "managed".

For instance, would any EU actions to, say, suspend the entire agreement in "circumstances of special urgency" be decided in Ministerial Council by unanimous vote or simple majority? Unanimity makes it harder to invoke and gives the target country greater opportunity to lobby one of the 15 EU members to kill off any action.

"I don't think Australia will be able to get a guarantee that this type of clause will never be invoked," says one EU insider. "Otherwise you may as well not have it."

With negotiations on most other sections of the framework agreement cruising along—except for some EU problems with wine labelling and State Government purchasing policies—Brussels and Canberra are both anxious that human rights not be the deal-buster.

Canberra's stand on principle that human rights clauses not come into such agreements on trade and general co-operation has puzzled Brussels. That's not surprising considering the EU has an identically worded human rights clause in its agreement with South Korea, and similar wording in one with Russia.

While sympathetic, Brussels says the human rights clause is a standard one which, if varied for Australia, would create a precedent for others. Australia says it wants an agreement, but not on terms which could

introduce a potentially destabilising element of third-party appeals and sanctions on human rights issues.

Australia-EU relations have never been close. The framework agreement was supposed to put old grievances to rest, introducing closer bilateral ties. Now merely negotiating that agreement is providing a test of those hopes.

Australia: Budget Allocated for Foreign Affairs, Trade Ministry

*BK2608042396 (Internet) Australian Department of Foreign Affairs and Trade WWW in English
20 Aug 96*

[Department of Foreign Affairs and Trade media release: "Budget '96 - Foreign Affairs and Trade Portfolio"]

[FBIS Transcribed Text] Our portfolio interests, including the Department of Foreign Affairs and Trade (DFAT), AusAID and Austrade, will contribute savings of over \$320 million in the 1996-97 Budget. This will play a role in overcoming the \$8 billion deficit.

The savings will be made across the portfolio and reflect our determination to re-define Australia's foreign and trade policy objectives and allocate Government resources in the most effective and appropriate ways.

The savings in the current financial year will include:

- \$94.3 million through the abolition of the Development Import Finance Facility (DIFF)

- \$64.9 million in additional savings to the aid program through reduced contributions to some international organisations and program assistance

- \$22.3 million through improved administration of the Export Market Development Grant (EMDG) scheme operated by Austrade

- \$71 million through reductions in cash balances held by Austrade

- \$23.7 million through abolition of the International Trade Enhancement Scheme (ITES) and other Austrade programs

- \$40.5 million through additional savings on running costs of DFAT, AusAID and Austrade as well as reductions in DFAT's grants and contributions program.

These measures illustrate our commitment to achieving a more focused and efficient delivery of programs within our areas of responsibilities. This commitment was evident by our announcement earlier this month of the commissioning of a White Paper on Foreign and Trade policy, the first comprehensive review of foreign affairs and trade in Australia.

It was also evident in the earlier announcement of a Review of the Aid Program to be undertaken by Mr Paul Simons AM, the former Chairman of Woolworths Ltd.

Also, on the trade front we have announced a series of reviews of important aspects of trade policy and implementation that will result in a more clearly defined export culture in Australia and enhanced delivery of export assistance to Small and Medium Enterprises (SMEs).

DFAT will offer significant savings in its running costs budget. The process of adjusting to this reduced level of running costs is being managed so as to maintain the emphasis on the Department's primary responsibilities.

These include international relations, trade and business liaison, consular and passport services and maintaining a system of secure Government communications and security services.

The Budget contains provision for an increase of \$10 for the cost of a standard adult passport to \$120. This increase will cover the Department's costs in producing an expected increase in the number of passports in 1996-97 and subsequent years resulting from the expiry of the 10-year passports first issued in 1986, and contribute to the Budget savings task.

Australia: Media Release Details Defense Budget

BK2608045696 (Internet) Australian Defence WWW in English 20 Aug 96

[Media Release: "Defense Budget"]

[FBIS Transcribed Text] The Minister for Defence, Mr Ian McLachlan said today, "The level of funding provided for Defence in the 1996-97 Budget meets fully the Government's election commitments and is a concrete expression of the priority which it affords to enhancing the combat capabilities and readiness of the Australian Defence Force."

Mr McLachlan said, "The task of defending Australia's interests is a responsibility that this Government takes very seriously. We must develop and maintain a stronger and more capable Defence Force. To this end, and as foreshadowed in its election commitment, the Government has continued total Defence funding in real terms at the level planned in the 1995-96 Budget for 1996-97, with that level being maintained in real terms for the 1997-2000 Forward Estimates."

The 1996-97 Budget of \$10,027m represents 1.9 percent of GDP and 7.7 percent of Commonwealth outlays. In total, some 87 percent of the 1996-97 Defence Budget

outlays is planned to be spent in Australia, which maintains the level achieved in 1995-96.

While maintaining the planned level of Defence funding, the Government also directed that Defence make expenditure reductions in its administrative costs equivalent to those required of other Departments and agencies. These funds will be retained within the Portfolio. Mr McLachlan said, "Commencing this year, savings of \$125m per annum, equivalent to some 6 percent of Defence administrative and civilian salary expenditure, are to be redirected to enhance the combat capabilities of the Defence Force. We must be accountable to the tax payer for the ten billion dollars per year we spend on Defence" Mr McLachlan said, "and this redirection of funds will ensure greater value for the Defence dollar."

The measures taken to achieve the savings of \$125m per year include: a reduction of an additional 1,200 or 6 percent in Defence's civilian workforce over two years beyond the ongoing efficiency initiatives which have averaged 700 staff savings per year since 1990-91; a reduction in property operating expenses of 5 percent (\$14.3m) in 1996-97 and 2.5 percent (\$7.2m) in 1997-98; and a reduction of \$90m in non-operational administrative expenses and non-operational IT [information technology] equipment and support.

"In addition to the \$125m in administrative savings, the Ready Reserve Scheme has been abolished in line with the Government's election commitments, with the resulting savings also to be reallocated within the Portfolio to enhance combat capabilities." Referring specifically to initiatives included in the 1996-97 Defence Budget Mr McLachlan said, "The Government recognises that serious deficiencies have developed in the manning, equipment and readiness of both the Regular and Reserve components of the Army. Accordingly, I have given in principle agreement to, and funding has been provided for a restructuring of the Army to increase its capabilities, effectiveness and readiness. The restructuring process will commence with the trialing of new concepts and the reinvigoration of the Army Reserve."

"I have agreed a package of expenditure proposals which focuses on increasing the combat capabilities of the ADF [Australian Defense Force]. Some initiatives are to be considered by Cabinet later in the year. The overall package reflects the key capability development areas identified in our defence policy statement — namely, command, control and communications, intelligence, surveillance and control of the sea-air gap, strategic strike, mobility, and supply and support." Mr McLachlan said.

"Particular areas of focus will be re-shaping the Army to enhance its operational capabilities, through increased mobility and surveillance, equipment and training," Mr McLachlan said, "together with the upgrading of the F-111 and F/A-18 aircraft; enhanced communications capability for the ANZAC frigates and Collins submarines; the purchase of additional anti-ship and anti-aircraft missiles; and improved command, control and communications systems, to allow better coordination of ADF assets in joint operations."

"The ability to attract and retain the highly skilled personnel on which the capabilities of the ADF depend is also an area of focus in this Budget" Mr McLachlan said. "I am concerned at the continuing pressures on the ability to retain ADF members who possess key skills, for example pilots, and to this end funding has been provided for a number of initiatives to address these problems, including carefully targeted retention bonuses, and additional marketing to enhance recruitment. Recognising that family issues are also important for retention, funding is being provided for initiatives in the area of ADF spouse employment and child care. These are in addition to the previously announced extension to the Defence Home Owners Scheme."

The Minister said, "The Defence Budget maintains the emphasis on capital investment, with \$2,210m planned to be spent in 1996-97 on major capital equipment, while an addition \$230m is to be spent on minor capital equipment this year."

"Significant new major capital equipment projects approved by the Government include the modernisation of high frequency communications to replace single Service systems, the acquisition of an electronic warfare self protection capability for transport aircraft, acquisition of the evolved Seasparrow missile for the ANZAC Frigates and an enhanced air to air weapons capability for the F/A-18 aircraft. Approval has also been given to invite proposals from industry for the establishment of an Airborne Early Warning and Control capability for the ADF."

Mr McLachlan described the highlights of this year's major capital equipment program as including, "The planned delivery of the second COLLINS class submarine in June 1997, post delivery trials of HMAS ANZAC prior to acceptance as a fully operational warship in mid-1997, and progressing the fitting-out of mine-hunters HMA Ships HUON and HAWKESBURY with construction of NORMAN and GASCOYNE commencing."

The Minister said, "Continuing capital facilities projects this year include the Army Presence in the North in Darwin, the Russell Redevelopment in Canberra, the

development of RAAF Base Scherger in Cape York, further development of HMAS Cerberus Technical Training Facilities in Victoria, further development of the new DSTO [Defense Science and Technology Organization] Laboratory Complex in South Australia, and the relocation of the School of Artillery from North Head to Puckapunyal in Victoria.

Australia: Defense Budget Fact Sheet Released

BK2608082896 (Internet) Australian Defence WWW in English 25 Aug 96

[1996-97 Defense Budget Fact Sheet]

[FBIS Transcribed Text] Overview

In accordance with the Government's commitments, Defence funding for the period 1996-97 to 1999-2000 is to be maintained at the levels agreed in the 1995-96 Budget. The Defence funding base will reduce in real terms by 0.5 percent in 1996-97, with that level to be maintained in real terms for the 1997-2000 Forward Estimates.

The estimated Defence Budget outlay of \$10,027m [million] for 1996-97 represents an increase of \$16m over the Defence actual outlays of \$10,011m for 1995-96. In addition to adjustments to Defence outlays for price +\$143.5m, salary +\$98.7m and exchange rate movements -\$50.3m, the more significant real adjustments to Defence outlays include:

- A reduction in Defence outlays -\$50.2m resulting from the previous Government's decision in 1993-94 to apply a real reduction in base level funding of -0.5 percent to Defence outlays in 1996-97.
- A net reduction of \$62.6m to reflect the combined impact of the over-supplementation to Defence in 1995-96 and 1994-95 for price and exchange movements.
- A reduction of \$81.7m reflecting the previous Government's decision to reschedule Major Capital Equipment expenditure from 1996-97 with equal and offsetting funding increases in 1998-99 and 1999-2000.
- A net reduction of \$10.4m in supplemented compensation and legal expenses.
- A reduction of \$10.2m reflecting the finalisation in 1995-96 of supplementation associated with interest payments on Defence Housing Authority capital subventions.
- An increase of \$29.7m due to a one-off decrease in Defence outlays in 1995-96 resulting from a refund of unused funds that were set aside for Aerospace Technologies of Australia Ltd superannuation contributions.

The Defence share of Gross Domestic Product for 1996-97 is estimated to be 1.9 percent. Defence outlays are estimated to be 7.7 percent of 1996-97 Commonwealth outlays compared to 7.9 percent in 1995-96.

Redirection of Defence Outlays

Within total Defence outlays, resources have been redirected from administrative expenses, civilian salaries, property operations and information technology to combat and combat support capabilities. Defence has identified savings of \$125m per annum commencing in 1996-97, a level that is equivalent to a 6 percent reduction in civilian salaries and administrative expenses. These resources have been reallocated within the Portfolio to implement the Government's policy commitments and priorities. Additional savings are also being made from the abolition of the Ready Reserve Scheme, and are to be used to fund replacement capabilities.

While some initiatives are subject to further review, particular areas of focus for the redirection of the savings are:

- re-shaping Army to enhance its operational capabilities, through increased mobility and surveillance — additional vehicles and increased support for the Blackhawk helicopters, increased equipment — night-fighting equipment, global positioning systems, laser range finders and combat radios, and increased training;
- upgrading of the F-111 through the capability to release laser-guided weapons at low level, and an improved datalink capability and enhanced logistic support for the F/A-18;
- incorporation of a military satellite communications capability into the ANZAC [Australia New Zealand Army Corps] frigates and the Collins submarines;
- improvement to command, control and communications systems to allow better coordination of ADF assets in joint operations;
- improvement in the Australian intelligence capability through a number of initiatives in intelligence collection, assessment, product development and dissemination;
- measures to increase the recruitment and retention of highly skilled ADF personnel such as targeted financial retention initiatives for specific skill and employment groups in the ADF, improved child care facilities, and spouse employment programs.

The achievement of the administrative savings is partly based on civilian personnel reductions. Defence plans to reduce the number of civilian positions by 1,200 by the end of 1997-98 with 600 expected to be achieved in 1996-97. This reduction, which is in addition to the

ongoing efficiency initiatives which have averaged over 700 staff savings per year since 1990-91, is partially offset by a planned increase of 380 trainees per year, which is consistent with the Government's priority for reducing youth unemployment while ensuring the continuing structural integrity of the Department's APS workforce. The additional trainees will be absorbed within the revised Defence staffing levels at the completion of their traineeship year. A one-time reduction in Capital Facilities has been made in 1996-97 and 1997-98 to fund civilian redundancies, without any detriment to Defence capabilities.

Defence Outlay by Category

The trend in Defence Outlays by major category is as follows:

| | 1995-96 | 1996-97 | Change | Change |
|--------------------------------------|---------|----------|--------|---------|
| | Actual | Estimate | No. | Percent |
| Permanent Defence Force | 57,515 | 56,605 | -910 | -1.6 |
| Reserves — full time equivalents (1) | 4,599 | 4,668 | +69 | +1.5 |
| Civilians | 19,932 | 19,416 | -516 | -2.6 |
| Total | 82,046 | 80,689 | -1,357 | -1.7 |
| (1) Actual Reserve Numbers | 27,516 | 29,008 | +1,492 | +5.4 |

Investment

Defence capital investment expenditure for 1996-97 will be \$2,924m.

The Government has approved new major capital equipment projects with the total project cost of \$1,410 of which \$27m is planned to be spent in 1996-97. These projects include:

- Modernisation of high frequency communications to replace single Service systems
- Electronic warfare self-protection capability for transport aircraft
- Evolved Seasparrow missiles for the ANZAC frigates and modification of ANZAC combat systems to accommodate the Seasparrow
- Enhanced air-to-air weapons capability for the F/A-18 aircraft
- Upgrade of the F/A-18 aircraft to include global positioning system and an identification friend or foe capability

| | 1994-95 Actual Percent | 1995-96 Actual Percent | 1996-97 Estimate Percent |
|---------------------------------------|------------------------------|------------------------------|--------------------------------|
| Investment — equipment and facilities | 28.4 | 26.9 | 26.1 |
| Personnel | 38.0 | 38.7 | 40.4 |
| Operating Costs | 33.6 | 34.3 | 33.5 |

Personnel — Average Strength

- Simulator for the P3C Orion maritime patrol aircraft
 - Extension of the ADF Distributed Intelligence System
 - Logistic support to bring into operation four attrition Seahawk helicopters currently in storage
- \$2,183m is planned to be spent in 1996-97 on already approved major capital equipment projects including:

| | 1996-97 \$m |
|--|-------------|
| ANZAC Ships | 549.1 |
| Acquisition of C-130 aircraft | 305.1 |
| Collins class submarines | 220.4 |
| Acquisition of coastal minehunters | 189.3 |
| Upgrade of P3C aircraft to extend life beyond 2010 | 119.5 |
| Andalus Operational Radar Network | 77.3 |

| | 1996-97 \$m |
|---|-------------|
| Acquisition of hydrographic ships | 60.6 |
| Provision of light armoured vehicles | 55.4 |
| Air traffic control radars | 55.3 |
| Provision of a fully integrated single channel radio system | 45.8 |

The major capital equipment allocation in the Budget reflects also a decision in the 1995-96 Budget to reschedule \$82m of capital equipment funding from 1996-97 with equal and offsetting funding increases in 1998-99 and 1999-2000.

The Government has also approved new major capital facilities projects with total project costs of \$212m of which \$8m is planned to be spent in 1996-97. These projects include:

- further development of facilities at RAAF Base Darwin and RAAF Base Tindal to support air operations for air defence

- the provision of facilities at HMAS Albatross for the new helicopters for the ANZAC frigates and to provide administrative and logistic support to Navy Commands

- the upgrading of facilities at Army's 5 Aviation Regiment in Townsville primarily to improve the long term sustainability of the Blackhawk and Chinook helicopters.

- development of the facilities at the Coonawarra Fleet Base for hydrographic ships

- further development of the Army Field Training Area in Townsville, QLD [Queensland].

In addition, a further \$476m in expenditure is planned for 1996-97 on other capital facilities, including:

| | 1996-97 \$m |
|---|-------------|
| Army Presence in the North Stage 2, Darwin | 46.4 |
| Russell Redevelopment, Canberra | 45.0 |
| Army Presence in the North Stage 1, Darwin | 31.0 |
| RAAF Base Scherger development, Cape York, Queensland | 29.6 |

| | 1996-97 \$m |
|---|-------------|
| HMAS Corcoran Technical Training Facilities, Victoria | 23.8 |
| New DSTO Laboratory Complex, Salisbury, South Australia | 22.3 |
| Relocation of the School of Artillery from North Road to Puchapuyal, Victoria | 20.3 |
| Additional Working and Living Accommodation at Enoggera, Queensland | 12.6 |

An additional \$230m will be spent on minor capital equipment.

Operating Costs

Outlays on operating costs are estimated to decrease by \$77m or 2.2 percent to \$3361m in 1996-97. This decrease reflects the Government-directed reduction in non-combat related administrative expenses, a reduced level of expenditure on facilities operations due to higher than normal expenditure levels in 1995-96 and a decline in payments to the Defence Housing Authority.

Expenditure in Australia

The high proportion of Defence expenditure in Australia in recent years has been maintained. Approximately \$8,703m or 87 percent of the 1996-97 Defence Budget is planned to be spent in Australia.

Australia: Article Discusses Collins Class Submarine Capability

BK2608060396 Sydney THE SYDNEY MORNING HERALD in English 26 Aug 96

[Article by Craig Skehan: "Navy's Push for Cruise Missiles" — received via Internet]

[FBIS Transcribed Text] The captain of Australia's first commissioned Collins class submarine is pressing for it to be fitted with Tomahawk cruise missiles, despite wider concerns that this could spark a regional race for such long-range attack weapons.

And in an extraordinary public admission, Commander Peter Sinclair revealed that the submarines will be used for extensive intelligence gathering and communications intercepting operations.

Commander Sinclair, asked about the intelligence gathering capabilities of the Collins submarines, said: "This submarine has the ability to gather intelligence — we can intercept any transmission in the world."

This included specialist technology to intercept microwave communications, including telephones.

Still photos and video images could be taken off other countries through the powerful periscope, even in low light.

The submarines will be nearly impossible to detect and Tomahawk missiles can be guided to targets on land from more than 2,000 kilometres out to sea.

HMAS Collins is the first of six of the submarines to be supplied to the Australian Navy by an Australian and Swedish consortium at a total cost of \$5 billion.

The defence analyst Professor Des Ball, of the Australian National University's Strategic and Defence Studies Centre, said there was a push within the defence establishment and sections of the Government to acquire the Tomahawk.

However, he believed this would risk other countries in the region also seeking the missiles.

Commander Sinclair was asked late last week whether he wanted HMAS Collins, which has been moored at Woolloomooloo for the past week, to be fitted with the Tomahawk.

"Yes, I would," he said. "As a strategic weapon, Australia should enter the year 2000 with that sort of capability."

"The Collins allows you to stand off a coast without the knowledge of the enemy. It can go through the window of a house you want to take out."

"You obviously don't want that sort of strategic capability to flow on to your neighbours because they will do the same sort of thing to you."

Professor Ball, while supporting calls to increase the number of Collins submarines for the Navy from six to eight, argued that even talk of buying Tomahawks was potentially destabilising in the region.

"We should be going around the region saying, 'let's have a ban on any missile with a range of 150 kilometres or more'."

Mr Chris Skilton, managing director of the Australian Industry Development Corporation (AIDC), which has a 48.5 per cent stake in the Collins project, believes that, because of the long lead time, it might be 10 to 15 years before Australia could deliver one of the submarines to an overseas buyers.

As well as South Korea, Malaysia and Thailand, Mr Skilton nominated Taiwan as a potential buyer of the Collins, or a smaller version.

A spokesman for the Minister for Defence, Mr McLachlan, said yesterday that the Government did not have acquisition of the Tomahawk missile "under active consideration at this time".

However, sources said the Defence Department's Weapons Development Section - where Commander Sinclair is to be transferred - is expected to prepare a submission on acquisition of the Tomahawk.

Vanuatu

Vanuatu: Prime Minister Sacks Land Affairs, Tourism Ministers

BK2208125996 Hong Kong AFP in English
1147 GMT 22 Aug 96

[FBIS Transcribed Text] PORT VILA, Aug 22 (AFP) — Vanuatu's prime minister fired two more ministers, an official said here Thursday, bringing to four the number of officials who had either resigned or been sacked in the past 10 days.

Prime Minister Maxime Carlot fired Land Affairs Minister Albert Ravutia and Tourism Minister William Edgell, said Yvette Sam, Carlot's first secretary.

In the last 10 days Carlot has also fired the agriculture and commerce ministers, accusing them of plotting to form a new government.

All the deposed ministers belonged to Vanuatu's opposition parties — the Melanesian Progressive Party, the Melanesian Party and Tan Union — who withdrew from parliament two weeks ago.

Ravutia and Edgell had sent resignation letters to Carlot two weeks earlier, but the prime minister said he did not see these letters as proper resignations.

The factions remaining in Vanuatu's parliament are the Union of Moderate Parties headed by Carlot and the Vanuaaku Pati led by deputy Prime minister Donald Kalpokas.

Carlot and Kalpokas maintain they still have the support of 25 MPs in the 50-member national assembly, which will start its sessions on Monday.

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